

# THE FINANCIAL CONNECTION

NEWS FROM THE FINANCIAL MANAGEMENT SERVICE  
A BUREAU OF THE U.S. DEPARTMENT OF THE TREASURY

## Get Ready! FMS, Agencies Team Up to Improve Accounting Practices

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BY KEN PAPAJ

Commissioner, Financial Management Service

**"P**eople get ready. There's a train acomin'; you don't need a ticket. You just get on board." Those words from a Curtis Mayfield song many years ago are a very appropriate message to the federal program agencies regarding the changes coming in the next few years due to several **Financial Management Service (FMS)** initiatives.

In each of our four business lines—payments, collections, governmentwide accounting and debt collection—FMS is making fundamental, transformational changes in the way the work is processed. These changes will have a big impact on program agencies and will result in significant efficiencies, savings and improved financial management across all of government. Our goal is to provide agencies with more useful, accurate and timely financial information in an easily accessible manner.

In this month's issue, I will discuss the priority

initiatives and far-reaching changes that are happening in our Governmentwide Accounting program. In subsequent articles, I will address the priorities, initiatives and future direction for FMS' s other three business lines.

### Governmentwide Accounting Modernization

The Governmentwide Accounting Modernization Project (GWAMP) is transforming the way budgetary accounting and reporting is done. The GWAMP will change and streamline the reporting of financial transactions by agencies to the FMS central accounting system.



**Ken Papaj became FMS commissioner on May 31, 2006, after more than eight years as deputy commissioner. He is responsible for managing over \$2.6 trillion a year in collections and nearly \$1.5 trillion in disbursements of federal revenues.**

Under the new "GWA way," agencies will classify transactions to the proper Treasury Account Symbol (TAS), and provide a new data element, the Business Event Type Code (BETC), when the transactions are initiated. The BETC identifies the type of transaction and the accounting effect on the fund balance with Treasury. Implementing these changes will require new business processes and system changes at the agency level.

This new reporting process has substantial

*(Continued on page 6)*

# New Day Dawns for Checks Received Over the Counter or through the Mail

By REGINALD McKINNEY

**A**n exciting era has dawned in revenue collection, and the federal government is at the forefront. The **Financial Management Service (FMS)**, supported by the **Federal Reserve Bank (FRB)** of Cleveland, has breathed life into the mundane process of processing checks by leveraging the undeniable benefits afforded by paper check conversion.

The Paper Check Conversion Over the Counter (PCC OTC) program is revolutionizing the way federal receipts are collected while simultaneously reducing or eliminating paper transactions and contributing mightily to the goal of the "e-Treasury" of the future. PCC OTC is currently supporting the U.S. military from the Middle East to the Far East; U.S. embassies and consulates; the **Internal Revenue Service**; and the **Federal Aviation Administration**. Specifically, the program showed its mettle and rapid deployment capability when it was successfully deployed to the Gulf region after Hurricane Katrina at the **Air Force's** request.

PCC OTC converts paper checks into electronic debits to the check writer's account through the Automated Clearing House (ACH) system, or into a substitute check image that is truncated and cleared under the authority of Check 21. PCC OTC fully automates and improves the collection, reconciliation, research, and reporting processes associated with federal agency over-the-counter check collections.

The success of the program, which was born in September 2001, is evident. PCC OTC is deployed in more than 400 locations worldwide, has processed over 5 million items and has collected close to \$5 billion.

Benefits to agencies that use PCC OTC include:

- Reducing the number of bad checks

presented by using an automated system to expedite the collection process.

- Reducing to less than 48 hours the time required for the entire collection process.
- Automating preparation of deposit tickets (SF215) and debit vouchers (SF 5515).
- Automating the resubmission of returned items at the agency's discretion (up to two additional times).
- Providing a complete electronic record of all check images and data in a Web-based archive that may be accessed for research, collection and reporting for seven years or longer.
- The ability to process a variety of negotiable instruments, including cashier's checks, money orders, Treasury checks, and credit card checks.
- Use of master and local verification databases to identify people who have written bad checks to the agency and accounts that are inactive or closed and thus preventing the acceptance of bad checks.

Agencies are required only to purchase check scanner hardware at minimal cost and to work out internal procedures to implement PCC OTC in the



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***PCC OTC is deployed in over 400 locations worldwide, has processed over 5 million items and has collected close to \$5 billion.***

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most effective manner. PCC OTC offers a suite of check scanners, including a standard duplex scanner that scans the front and back of the check automatically; battery operated scanners for use in remote processing locations or to support mobile operations; and high-speed batch scanners capable of scanning up to 90 checks per minute.

To learn more about the program, please visit [www.pccotc.gov](http://www.pccotc.gov) or contact Over the Counter Revenue Collection Division Director Corvelli McDaniel (202-874-7115; e-mail [corvelli.mcdaniel@fms.treas.gov](mailto:corvelli.mcdaniel@fms.treas.gov)) or PCC OTC Program Specialist Reginald McKinney (202-874-6893; e-mail [reginald.mckinney@fms.treas.gov](mailto:reginald.mckinney@fms.treas.gov)).

# Improved Check Aftermath System Launches

BY BARBARA PETERSON

**T**he Treasury Check Information System (TCIS) went into full implementation on June 1, replacing the aging Check Payment & Reconciliation (CP&R) system.

TCIS is the result of a 2001 partnership between the **Financial Management Service (FMS)** and the **Federal Reserve Bank (FRB)** of Philadelphia to explore new technologies and approaches to modernize and improve system efficiency for check aftermath activities.

## Benefits

Users can now access check and Automated Clearing House (ACH) payment information and check claims history and digital images of paid U.S. Treasury checks via a standard Web browser. All inputs, inquiries and report delivery are available.

TCIS provides FMS with an ability to comply with the requirements of the Check Clearing for the 21st Century Act (Check 21), which authorizes financial institutions (FIs) to create an electronic image of a check, including U.S. Treasury checks, that can then be sent to another FI or FMS, eliminating the physical transfer of the original paper check. The electronic presentment of U.S. Treasury checks fosters innovation in check collection systems and improves the efficiency of the government's and the nation's payment systems.

TCIS' s Integrated View (IV) module provides a single access point for the status of all checks, check claims and ACH transactions, eliminating the need for a user to sign on and query various systems separately. IV also provides real-time viewing of check images from the FRB Minneapolis' Image Services System (ISS).

TCIS utilizes the same input and output interface file formats that were used by the CP&R system so there was no impact on internal or external interfacing systems.



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***Ultimately, the Treasury Check Information System expects to have over 4,000 federal agency users as well as 300 users within the Financial Management Service and Federal Reserve Bank.***

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## Implementation

Non-FMS system users will have access to IV and/or the Transmittal Control and Disbursing Office Maintenance Subsystem (TCDOMS).

The IV component also provides:

- a single front end to the TCIS, CP&R and Payments, Claims & Enhanced Reconciliation (PACER) On-Line databases
- the ability to query by check number or payee ID (when agencies provide payee identification information as part of the payment request) within a range of issue dates, or by ACH trace number
- the ability to initiate a stop request and to request/view digital images of negotiated U.S. Treasury checks

TCDOMS provides disbursing offices with online access to monitor and track the status of submitted transmittals. Users can view authorized check ranges established for their disbursing office symbol as well as processed and unprocessed check ranges.

## Looking Forward

Over the coming months, the TCIS enrollment team will begin to enroll existing PACER On-Line and new users (not currently CP&R or PACER On-Line users). The team plans to enroll PACER On-Line users agency by agency.

Ultimately, TCIS expects to have over 300 FMS and FRB users, and over 4,000 agency users.

Upon successful completion of the enrollment process, each new user will receive a computer-based training CD-ROM.

**More information** and frequent updates are available at [www.fms.treas.gov/tcis](http://www.fms.treas.gov/tcis).

# AGENCY RELATIONSHIP MANAGEMENT: Bridging Agency Needs with E-Solutions

By **PETER O'B. MOORE**

**T**he Agency Relationship Management Division (ARM) is the central contact point for agencies to interact with the **Financial Management Service (FMS)/Federal Finance (FF)** and its collection initiatives. ARM customer relationship managers serve specific agencies and their customers with both day-to-day issues and broader strategic evaluation and planning to implement new and innovative collection mechanisms. Please see [www.fms.treas.gov/eft/contacts.html](http://www.fms.treas.gov/eft/contacts.html) for listing of managers and the agencies they assist.

Members of the ARM staff tackle daily customer service needs, assisting agencies, benefit recipients, vendors, financial institutions/agents and other FMS program areas. ARM addresses concerns and helps those who have not received or cannot identify a federal benefit, vendor, retirement, tax refund or miscellaneous payment.

ARM also plays an important role in publishing and disseminating significant notices and guidance to designated agency cash management liaisons, who in turn alert the appropriate agency personnel. Additionally, ARM works closely with FF's collection program areas to resolve complex agency issues, develop customer account strategies and serve as the "voice of the customer" in internal discussions.

The centerpiece of ARM's new proactive methodology is the holistic approach—a management framework for moving toward an all-electronic Treasury. This approach moves beyond standard ad hoc agency requests to implement FF collection mechanisms. Under the holistic approach, ARM will work with each federal agency, from the CFO level down through the bureaus and offices, to develop a complete understanding of their

collections and business processes, at all levels. In concert with the agency, ARM will develop a strategic plan, with timelines, to implement an integrated set of electronic mechanisms that streamline collections, improve processes and lower costs. These Web-based and electronic collection mechanisms are convenient, secure, and easy to use.

Also as part of the holistic approach, FF will examine the depository services provided to



agencies by financial institutions/agents to provide timely collection of federal government receipts.

As part of its agency outreach mission, ARM also produces *The Financial Connection* newsletter, read by more than 1,800 agency personnel governmentwide. The new monthly publication is

available on the Web and occasionally in print for wider conference distribution. Readers can subscribe to receive an email notification of new publications and to stay apprised of programs and initiatives.

ARM is a vital bridge between FMS/FF and the agencies. ARM helps agencies, and their customers, solve difficult day-to-day issues and works strategically with Federal Finance program areas and the agencies to identify cashflows for conversion to more effective collection mechanisms, our e-solutions. These efforts help agencies align with initiatives to reduce manual and paper processes and increase the speed and accuracy of collections.

Assistance is only a telephone call or click away!  
**For more information**, contact Carolyn Dunston at (202) 874-7491 or [carolyn.dunston@fms.treas.gov](mailto:carolyn.dunston@fms.treas.gov) or e-mail [ARM@fms.treas.gov](mailto:ARM@fms.treas.gov).

# GWA MODERNIZATION PROJECT:

## DETAILS THAT AGENCIES NEED TO KNOW

*Editor's Note: This article complements Commissioner Papaj's overview of changes coming in the **Financial Management Service's (FMS) GWA processes and provides additional details on the modernization process.***

**T**he Governmentwide Accounting Modernization Process will change the cyclical business processes governing federal program agency (FPA) reporting of financial transactions on a monthly basis to FMS via the Statements of Transactions and Accountability (SF-224, SF-1218/1221, SF-1219/1220). Currently, FMS returns the processed information to the FPAs via the Account Statement. Under the new GWA way, agencies will classify financial transactions when they are initiated, eliminating the need to classify them on the statement of transactions at month end.

FMS is developing an online tool, the Shared Accounting Module (SAM) (*see related articles Pages 1 and 8*), which FPAs will use to select the appropriate Treasury Account Symbol (TAS) and Business Event Type Code (BETC) to identify and process their financial transactions.

The TAS and BETC will be captured with the transactions in systems that interface with the GWA system (Intragovernmental Payment and Collection (IPAC), Secure Payment System (SPS), etc.). Each interfacing system will develop its implementation schedule based on available resources, other changes planned, and current business constraints.

The first transactions requiring TAS/BETC will be in IPAC. The TAS has been required for the sender side of an IPAC transaction since October 2003. A valid list of TASs that can be reported through IPAC is available for download at [www.fms.treas.gov/gwa](http://www.fms.treas.gov/gwa).

On May 1, 2006, the GWA pilot began with **FMS, the Bureau of Public Debt, the Government Printing Office** and the **Internal Revenue Service**. The GWA's pilot ALCs—

20552002, 20180031, 20096500 and 04000002—and their respective trading partners had to provide the TAS/BETC for both sides of IPAC transaction(s). IPAC will begin rejecting any transactions containing a TAS/BETC not appearing on the valid list for the GWA pilot ALCs.

Effective October 1, 2006, these pilot agencies will be moved into production and all IPAC transactions created by or received by these agencies are required to have the TAS/BETCs on both sides of their IPAC transactions. IPAC transactions not having this information will be rejected.

As additional agencies move to classifying their IPAC transactions on a daily basis and become GWA players, these same TAS/BETC requirements will become mandatory for other agencies.

Note that though "F" (suspense) accounts, as well as any other TAS that are not deemed valid and appropriate for use in the IPAC system, FMS will allow the use of these accounts as

we work with agencies to eliminate their use.

Effective June 30, 2006, the Undisbursed Ledgers and Trial Balance reports (6653, 6654, 6655) were decommissioned and the Account Statement became the vehicle for FPA reconciliation of their fund balance with Treasury. Currently, the Account Statement is produced from the same data maintained in the current central accounting system that is based on monthly agency reporting. Some transactions today such as Warrants and Non-Expenditure Transfer transactions are posted on a daily basis and will be posted to the Account Statement on the same schedule. When all transactions are reported on a daily basis and posted to the Account Statement with the same frequency, the need to classify transactions on the various Statements of Transactions will be eliminated.

As GWA training sessions are scheduled, they will be posted on the GWA Web site, [www.fms.treas.gov/gwa](http://www.fms.treas.gov/gwa).



# COMMISSIONER'S REPORT

*(Continued from page 1)*

benefits. It will eliminate multiple and duplicative reporting by agencies and time-consuming reconciliations by agencies and FMS. When agencies are reporting fully the new GWA way, there will be no need for them to prepare month-end reports that they do today.

A key tool of the GWAMP is the account

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***“Working together, we can strengthen and improve financial reporting and achieve our shared objective of obtaining a clean opinion on the Financial Report.”***

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statement, which was implemented in October 2003 and is used by over 800 agency staff. The account statement provides next-day availability of agency fund balance with Treasury amounts. Agencies have online, near real-time access to their beginning fund balance, all receipts and all disbursements for the transaction date, and the ending fund balance. Agencies also are able to drill down to the transaction level for more detailed information on payment and collection activities. The account statement enables agencies to reconcile their fund balance with Treasury accounts on a daily basis, close their books earlier and meet accelerated reporting deadlines.

Given the proven effectiveness and reliability of the account statement, FMS on June 30, 2005, ceased issuing the undisbursed ledgers and trial balance reports previously used by agencies for reconciliation.

The rollout of transaction reporting using the TAS/BETC has already begun. Four agencies are participating in a pilot in which they are reporting both their own and their trading partners' TAS/BETC for Intragovernmental Payments and Collections (IPAC) transactions. Once we complete the IPAC pilot later this summer, we

will begin expanding this new reporting requirement for IPAC transactions to other agencies followed by payment transactions in 2007 and collection transactions in 2008. *(For more on the GWA Modernization Project, please see Page 5.)*

## Financial Statement Reporting

FMS also is changing the closing package process and the Government Financial Report System (GFRS—the system FMS uses to prepare the Financial Report) to streamline agency reporting and to improve the usefulness, integrity and consistency of the financial statement data.

For the FY 2006 reporting cycle, FMS has implemented two enhancements to GFRS that will greatly improve its usability. The first enhancement allows most prior year data (excluding footnotes) to roll over to the current year, thus eliminating the need for agencies to re-enter the data. FMS is planning to expand this rollover capability to many of the standard footnotes reported in the Closing Package for the FY2007 reporting cycle. The second refinement gives agencies greater and more streamlined access to information about their part of the Financial Report.

FMS recently announced a major new requirement. Agencies will need to report third-quarter closing package data (financial statements only) beginning in FY2008. This will allow auditors to begin comprehensive audit work much earlier and perform “roll-forward” analysis at year-end. Over the last two years, Treasury has been moving back the date the audited closing package is due. Our ultimate goal is to have the closing package due on the same date, Nov. 15, that audited agency financial statements are due.

While Treasury—FMS specifically—is responsible for compiling the financial report, it is not a Treasury report but rather a statement of the financial operations and conditions of all

## ACRONYMS TO KNOW

- **TAS: Treasury Account Symbol**
- **BETC: Business Event Type Code**
- **GFRS: Government Financial Report System**
- **USSGL: U.S. Standard General Ledger**

# COMMISSIONER'S REPORT

agencies that make up the U.S. government. The accuracy, reliability and usefulness of the Financial Report is directly dependent on the accuracy and consistency of the agency financial statement data used to compile the Financial Report. As a result, each agency has a vested interest in ensuring that the closing package data is consistent with its own audited financial statements. Each agency should feel as accountable and responsible for the Financial Report as it does for its financial statements. Working together, we can strengthen and improve financial reporting and achieve our shared objective of obtaining a clean opinion on the Financial Report.

## Improving Data Integrity

We also are working to leverage data contained in agency financial systems and reported by agencies to FMS's central accounting system to ensure the integrity and consistency of data in agency financial statements and the Financial Report. In July 2006, FMS began providing "authoritative" data for Net Expenditure Transfers and Fund Balance with Treasury from our central accounting system to agencies for their use in eliminating certain intragovernmental transactions.

Agencies can use this information to assist in reconciling their balances instead of matching these transactions with their trading partners. Previously, each agency may have recorded the transaction differently but maintained that its accounting treatment and amount were correct. Although the "authoritative" balances are being initially provided as a resource tool, over the next few years, FMS will require agencies to match and reconcile their balances to the authoritative amounts. In addition, FMS will expand these authoritative balances to more categories.

Finally, FMS is exploring ways to further strengthen the quality and consistency of financial data submitted by the agencies and to improve consistency between agencies' own budgetary and proprietary data.

We are considering the integration of budgetary and proprietary reporting through the collection of quarterly trial balances of budgetary and proprietary data under U.S. Standard General Ledger (USSGL) control. These trial balances would be subject to various edits and validation checks,

including some based on balances in the FMS central accounting system and budgetary versus proprietary comparisons. The edits and analysis of the trial balance data will help agencies meet the Federal Financial Management Improvement Act (FFMIA) requirements of implementing the USSGL at the transaction level and will provide the tools to better leverage consistent agency data in compiling the consolidated Financial Report.

While this effort is in the initial stages of analysis, planning and development, we believe that it holds great promise for improving governmentwide financial reporting and management. The benefits of integrating budgetary and proprietary reporting will be increased compliance of financial reporting with USSGL rules and guidance, elimination of differences in agency trial balance data versus the same information in FMS' central accounting system and improved consistency between agencies' own budgetary and proprietary account trial balance data.

## Agency Planning

As you can see, there are numerous changes and improvements in governmentwide accounting processes that will affect agencies. I encourage all agencies to stay abreast of these developments and work with the GWA staff to make the necessary changes so they will be able to convert to the "GWA way" of reporting at the earliest possible date.

The complexity of transitioning to the new reporting approach and the need to work with each agency to convert their transaction flows will mean a multiple-year effort. However, at some point in the future, FMS will set a cut-off date for agencies to convert to the GWA reporting way.

See you in the next issue of the *Financial Connection*, when I will discuss FMS's plans for our collections program. It will be available in September at [www.fms.treas.gov/finconn](http://www.fms.treas.gov/finconn).

## About Ken Papaj

Ken Papaj joined the U.S. Department of the Treasury more than 32 years ago. He spent 24 years in management positions at the Bureau of the Public Debt in the areas of government securities, market regulation and Treasury securities operations. In 2003, he received the Presidential Rank Distinguished Executive Award.

# CLASSIFY THIS: The Shared Accounting Module's Piece in the GWA Modernization

By CHERYL W. MURRAY

**T**he Shared Accounting Module, better known as SAM, is an application created to assist federal program agencies (FPA) meet the requirement to classify accounting transactions to the appropriate Treasury Account Symbols (TAS) and Business Event Type Codes (BETC).

## What SAM Does

As part of the GWA Modernization Project (see related articles on pages 1 and 7), SAM is vital for classifying collections, disbursements and intragovernmental transactions at the earliest possible time in the financial reporting process. Working with FPA personnel, FMS will assist with the identification of unique agency accounting codes assigned to a transaction or to establish classification keys (C-Keys) within each cash flow.

SAM works in validation, translation and default modes. In validation mode, SAM confirms a TAS-BETC combination, already assigned by the FPA, to the Fund Balance with Treasury (FBWT). In translation mode, a C-Key is used to derive a preestablished TAS-BETC combination assigned by the FPA to the FBWT transaction. In default mode, SAM assigns a valid TAS-BETC from

predefined default rules when the normal validation or C-Key translation fails. These three modes ensure all transactions receive a valid TAS-BETC before processing.

With the implementation of the latest SAM release on June 19, 2006, FPAs now have Web access to TAS-BETC information for payments and collections. The SAM team is currently training IPAC pilot participants and FMS personnel. The next steps for SAM are to continue with agency outreach and begin providing SAM application access to GWA users in the late fall of 2006.

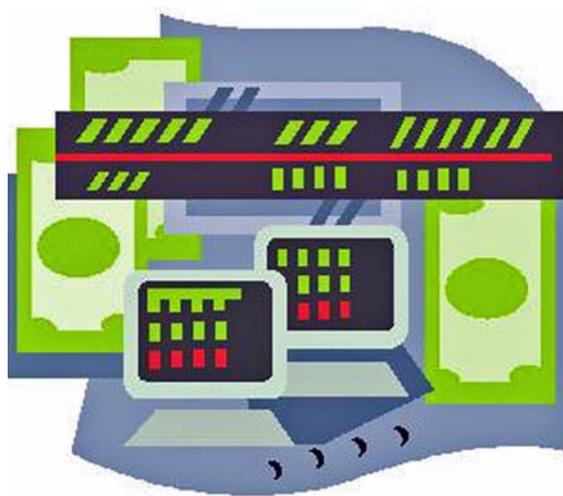
## SAM Benefits

SAM will automatically classify accounting transactions on a daily basis. It will provide "real-time" accounting classification information.

SAM is an accurate, single touch point to validate and/or derive TAS-BETC account codes for financial transactions. This process will facilitate the GWA System in classifying work on a daily basis, thereby eliminating the need to perform some month-end classifications (SF-224) when the system is fully implemented. SAM will permit the creation of default classification rules that are

applied to transactions even in situations where the transaction may have become invalid.

For more information on SAM, please see [www.fms.treas.gov/sam/](http://www.fms.treas.gov/sam/). To access the SAM Public Web site, please visit <https://www.sam.gov/SAMPublic/index.jsp>.



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