The FINANCIAL Connection

News from the Financial Management Service • A Bureau of the U.S. Department of the Treasury

Volume 17, Issue 2 March/April 2008

IN THIS ISSUE:

- *IRS Partners with OTC on Insolvency and Tax Payments-3*
- *ECP Sends Production Data to TRS-3*
- *EFTPS Strengthens Online Protocol-4*
- *TOP Call Center Gears Up for Busiest Season-5*
- *CCMM Presentation at Upcoming Forum-6*

Published by:
Financial Management Service, a Bureau of the U.S. Department of the Treasury
Publisher:
Carolyn Dunston
Editor:
Teri Hoehn
Assistant Editor:
Gregory Crawford
Editorial Board:
Jennifer Evans
Shirley Hopkins
Vivian Lopez
Eva Rhodes
Fabrienne Robinson
Margie Springer
Denice Wilson

Address:
401 14th Street, SW, Room 304A
Washington, D.C. 20227
Phone: 202-874-6694
Fax: 202-874-7161
Website: www.fms.treas.gov/finconn
Email: teri.hoehn@fms.treas.gov

For a free electronic subscription, visit: fms.treas.gov/scripts/subscription

New Assistant Commissioner for Federal Finance Drives Collections Change

By Sheryl Morrow, Assistant Commissioner, Federal Finance

I have had the privilege of working for the Financial Management Service (FMS) for more than 25 years, before it was even called FMS (for those of you who may remember the former Bureau of Government Financial Operations). Prior to my arrival at FMS, I worked as an accountant for the Department of the Army and the former U.S. Customs Service. With that foundation and perspective (yes, I actually remember back that far), I have always made it a priority to understand the needs of our

(Continued on page 2)

Despite Recent Market Woes, IMD Continues to Invest Successfully

By Stephanie Tupper, Investment Management Division

The Investment Management Division (IMD) of Federal Finance was created in 2003 to assist the Office of the Fiscal Assistant Secretary (OFAS) with implementing Treasury's strategic investment objectives. The principal function of IMD has evolved to implement flawless performance of Treasury's daily investment operations. The invested funds are in excess of the Treasury General Account's target balance of $5 billion. Treasury has two primary investment tools that IMD oversees: The Term Investment Option (TIO) program and the Reverse Repurchase (Repo) program. In FY 2007, 77% of net investable funds were invested through the TIO or Repo programs.

The TIO program is an investment opportunity offered to Treasury Tax and Loan (TT&L) financial institutions. TIO became a permanent investment tool for Treasury in 2003. TIO is a single-rate auction, for which participants may submit an offer amount and a bid rate. The auction is for a fixed term and the investment rate is

(Continued on page 4)

New AC for Federal Finance Drives Collections Change

By Sheryl Morrow, Assistant Commissioner, Federal Finance

(Continued from page 1)
customer agencies, as well as the impacts that FMS's requirements may have on the agency programs. As the new Assistant Commissioner for Federal Finance, I am responsible for developing and managing the Government's collection and cash management programs. We are working with our customer agencies on a number of new programs and I would like to discuss a few of them that will have significant impact on the way agencies process their collections.

We have embarked on a major new initiative that you may have read about in the last edition of *The Financial Connection* – the Collection and Cash Management Modernization (CCMM) initiative. The CCMM initiative will streamline and modernize most of our collection programs. Some of the CCMM improvements will result in benefits to the Treasury, and others will provide significant transaction and reporting enhancements for agencies. Two of the new programs in the CCMM initiative — the Over the Counter Channel Application, and the Transaction Reporting System — will have far reaching impacts on federal agency collection processes.

Over The Counter Channel

The Over the Counter (OTC) Channel of today consists of two systems (Paper Check Conversion Over the Counter [PCC OTC] and TGAnet); five networks (Treasury's General Account [TGA] bank network, International Treasury's General Account (ITGA) bank network, Federal Reserve Bank TGA bank network, Card Acquiring Service, and Seized Currency Collection Network); over 120 TGA banks that rely on the paper SF 215 deposit ticket and the CA$HLINK II cash concentration and reporting system to process federal agency deposits; and peripheral OTC-related programs and services. Any federal agency that receives money at its offices is impacted by this channel — and that's most agencies. The current OTC Channel application will be transformed from its stove-pipe model characteristic in today's environment, to a one-system solution that permits agency customers to go to one place for all of their OTC activity. It will integrate the PCC OTC and TGAnet systems, support agencies making deposits of seized currency, establish one hardware device to capture check, cash and card transactions, and provide an interface for agencies to view OTC deposit reports. The new application will transform the OTC Channel into a retail business model that will provide numerous efficiencies for federal agencies through one streamlined system.

> *"I am very excited about the improvements that will be realized with the CCMM initiative, including the more efficient services for our customer agencies and substantial cost-savings to the Government."*

Transaction Reporting System

The Transaction Reporting System (TRS) will be a centralized repository of detailed collection transaction information that will simplify federal agency revenue management and accounting processes. It will provide integrated daily transaction reporting for federal agencies across all FMS collection systems. The integration of this data will provide federal agency users with a single touch-point and data warehouse for all of their collections. Agency users will have a single source for not only the collection transaction detail currently coming from multiple endpoints, but also the associated deposit reports now in CA$HLINK II. Having detail and summary deposits in one place will greatly streamline the functions of accounting and reconciliation for revenue collections. With special reporting and analytic features, TRS will allow agencies to sort and review their transaction and deposit data swiftly and in ways which are unavailable today. TRS will also send deposit reports containing central accounting classification information to the Governmentwide Accounting (GWA) System, satisfying the new GWA reporting requirements.

By virtue of its business mission, TRS will integrate a large number of systems and interface with a wide community of stakeholders. It will also drive significant changes to the way agencies reconcile deposits to cash receipts, replacing the current CA$HLINK II model.

Lastly, over the past few years, FMS has been talking to customer agencies about the ***Holistic Approach***. From a holistic standpoint, we are developing a complete understanding of the agencies' entire collection portfolios by reviewing and analyzing agencies' cash flow data as reported in CA$HLINK II. FMS will recommend an integrated set of efficient electronic collection mechanisms to meet an agency's collection needs, e.g. Pay.gov, PCC OTC and TGAnet. We will ask each agency to sign a joint Cash Management Agreement (CMA) that outlines the Electronic Funds Transfer (EFT) collection

(Continued on page 5)

IRS Partners with OTC on Insolvency and Tax Payments

By Tepricka Morgan, Over the Counter Revenue Collection Division

The Internal Revenue Service (IRS) recently partnered with the Financial Management Service's (FMS) Over the Counter Revenue Collection Division (OTCD) to electronically convert centralized insolvency payments (which are a result of bankruptcy cases that involve delinquent taxes) and misdirected tax payments received at the Philadelphia Service Center.

The use of Paper Check Conversion Over the Counter (PCC OTC) by IRS will enhance the efficiency of traditional check-handling approaches by expediting the deposit process on the front-end. Audit trails and electronic records will also contribute to the effectiveness of back-end reporting. IRS is excited about the benefits of going paper-less and plans to expand application usage during phased roll-outs of PCC OTC at the Brookhaven and Memphis Service Centers after initial implementation at the Philadelphia Service Center in March 2008.

With a major focus on stream-lining the government's collections process, the OTCD at FMS continues to provide innovative, value-added solutions that support federal agencies. One such mechanism used to achieve this goal is the PCC OTC program, which fully automates the check collections process, reducing their reliance on manual methods while modernizing efforts. OTC works closely with agencies to demonstrate the distinctive benefits of PCC OTC usage at the business level. Depending on configuration, the system can:

- convert checks into electronic debits or substitute checks for faster collection
- capture complete front and back electronic images of checks
- verify checks against a historical database of negative items written to a particular agency
- represent failed items on specific days of the month
- prepare deposit tickets (SF 215) and debit vouchers (SF 5515)

For more information on PCC OTC, contact Corvelli McDaniel, Director of OTCD, at 202-874-7115.

Electronic Check Processing Sends Production Data to TRS

By Fred Lehnhoff, Accounting and Data Management Division

In January 2008, the Financial Management Service's (FMS) Electronic Check Processing (ECP) application began sending production data to the new Transaction Reporting System (TRS). ECP, built and operated for FMS by the Federal Reserve Bank of Cleveland, will serve as TRS's main source for General Lockbox transactions and remittance information.

TRS is being developed and operated for FMS by PNC Bank. Establishment of this interface marks a major success for both the TRS and ECP teams. It is also a notable milestone for FMS's Enterprise Data Architecture Team, which defined and helped map the Standard XML Financial Transaction Schema used for the interface. ECP is the first application to use the schema in a production mode with TRS.

TRS is slated to become the single touch point through which federal agencies will receive all of their collection transaction details on a daily basis. In addition, TRS will eventually take over deposit reporting from CA$HLINK II. This transition will be phased in between 2008 and 2010. With all collection transaction detail and deposit vouchers originating from the same source simultaneously, TRS will ease the burden of daily reconciliation of cash receipts to deposits. TRS will also facilitate reporting of collections according to the new Governmentwide Accounting requirements.

For more information about TRS, please contact Christina Cox, TRS Project Manager, at 202-874-7207.

EFTPS Strengthens Online Password Protocol

By Melanie Rigney, Revenue Collection Group

As an additional security measure, the Electronic Federal Tax Payment System (EFTPS) has changed format requirements for passwords used to access EFTPS.gov.

All users now must have Internet passwords that are eight to twelve characters long. Previously, only six characters were required. In addition, passwords must consist of both upper and lower case letters as well as either a number or a special character (including !, @, #, $, *, +, and -).

Taxpayers who use EFTPS infrequently and have not updated their passwords will be prompted to do so the next time they sign on. Once the password has been changed, a payment may be made immediately.

Taxpayers whose passwords already meet the new requirements will not have to change their passwords, although EFTPS recommends frequent password changes as a security measure.

The new password format does not affect EFTPS personal identification numbers (PINs) or Enrollment Trace Numbers. It also has no impact on those who use the EFTPS phone channel to make payments.

EFTPS, a free service from the Financial Management Service and the Internal Revenue Service, can be used to pay any Federal tax. In FY2007, EFTPS collected more than $2 trillion, or nearly 79 percent of all federal tax dollars. Nearly 3.9 million taxpayers have used the service in the past 40 days.

To learn more about EFTPS, please visit www.eftps.gov. For more information about the new password format requirements, please visit https://www.eftps.gov/eftps/index.jsp.

IMD Continues to Invest Successfully

By Stephanie Tupper, Investment Management Division

(Continued from page 1)

determined through a competitive bidding process. Traditionally, IMD's offering has been a fixed amount. However, IMD introduced a variation to the auction process in September

2007, using an auction range (an announced lower and upper limit) as an alternative to using a fixed dollar amount. By using an auction range in lieu of a fixed offering amount, OFAS is able to select an investment rate that will maximize Treasury's earnings. In FY 2007, IMD performed 111 TIO auctions and invested $603 billion. Approximately 60 financial institutions are currently enrolled in the program. Up-to-date TIO information can be found on the FMS website (http://fms.treas.gov/tip/reports.html).

The Repo program is Treasury's newest investment opportunity offered to TT&L financial institutions. The Repo program began as a pilot in March 2006 and was designated a permanent program in the fall of 2007. A Repo transaction is the purchase of securities (U.S. Treasury-issued Bills, Notes and Bonds) with the agreement to sell them at an agreed-upon price at a specified future date. For Treasury's counterparty, who is selling the security and agreeing to repurchase it in the future, it is a Repo. For Treasury, who is buying the security and agreeing to sell in the future, it is a reverse repurchase agreement. Treasury currently has three counterparties. Every morning, IMD will contact Treasury's Repo counterparties to request a bid rate for the investment amount. The funds are awarded to the counterparty who bids the highest rate. In FY 2007, IMD performed 216 Repo transactions and invested $559 billion.

While IMD's most notable tasks are Treasury's investment operations, IMD also performs several other functions. For example, IMD oversees the Treasury Investment Program (TIP) system, which is used to directly invest excess Treasury funds with participating financial institutions that are charged interest for use of the funds. IMD also manages the Treasury Tax & Loan (TT&L) Plus™ application, which provides a web interface for authorized financial institutions and Federal Program Agencies (FPAs) to access the TT&L program and other Treasury Collateral programs. TT&L Plus is the front-end interface to two centralized applications, the TIP System and the Paper Tax System (PATAX).

Additionally, IMD provides project management support to OFAS for the Fiscal Projections Systems (FPS). OFAS uses FPS to produce daily forecasts of cash and debt balances (generally for periods of six to nine months) as well as to manage the Government's daily cash position and short-term investment portfolio.

Looking forward, IMD has been tasked with two critical Collections and Cash Management Modernization (CCMM) initiatives: Implementation of the new Investment System and the new Forecasting System. Both of these efforts will require extensive collaboration and partnership with GWA (Governmentwide Accounting), OFAS and the Federal Reserve. IMD is also involved in the Elimination of Retainer Processing effort as well as the new Collateral Management System.

For additional information about IMD's investment programs, please contact Renee Clyburn, Project Manager, at (202) 874-2422.

New AC Drives Change

(Continued from page 2)
commitments, performance metrics and conversion timelines. This commitment binds both the federal agencies and FMS to implement improved strategies which will result in increased electronic collections. Ultimately, this new approach will assist us in reaching our goal of 90% EFT for collections.

While FMS's programs have been effective over the years, I am very excited about the improvements that will be realized with the CCMM initiative, including the more efficient services for our customer agencies and substantial cost-savings to the Government. As we begin implementing the CCMM initiative goals and cash management agreements, I look forward to working closely with our agency customers to ensure they understand our plans and we understand their business needs.

CCMM FY 2007 Program Statistics

- Collected $3.1 trillion through more than two dozen FMS collection programs
- Processed more than 400 million transactions
- Will save FMS tens of millions of dollars
- Projected to be completed by 2010

TOP Call Center Gears Up for Busiest Season

By Birmingham Debt Management Operations Center

The Treasury Offset Program (TOP) Call Center, now in its tenth year of operation, is geared up for what it expects to be its busiest call season ever. The Call Center receives approximately 3.4 million calls annually, with two-thirds of these calls coming in during tax season. During the 2007 tax season, from January 1, 2007 through April 17, 2007, the TOP Call Center received 2,714,387 calls, as compared to 2,577,663 for the same period during the 2006 tax season. Answering thousands of calls is a challenge that the Financial Management Service (FMS) meets daily with well trained staff, terrific technical support, and automation.

FMS created TOP in response to provisions of the Debt Collection Improvement Act of 1996 (DCIA). TOP utilizes the FMS centralized disbursement process by matching a database of delinquent debts owed to federal agencies and some state agencies against payments issued by FMS. When TOP matches a delinquent debtor record to a payment being issued, the payment is offset and applied to the debt. Each time a payment is offset to help satisfy a debt, the payee receives an offset notice from FMS providing information about the offset, along with the creditor agency's address and phone number(s). Each notice also contains the toll-free TOP Call Center number 1-800-304-3107 as the secondary point of contact.

The TOP Call Center responds to inquiries from the public and from agencies concerning federal payments that have been offset or scheduled to be offset. The traditional types of questions are "Will I be offset?" or "Who took my money?" As you might assume, some of the callers are upset about collections of their debts through the offset program. The Call Center staff is trained to handle each call with professional tact so that each caller receives accurate information as quickly as possible.

The TOP Call Center has improved customer service to taxpayers with an expansion of its Interactive Voice Response (IVR) capability. The IVR system gives taxpayers around the clock access to answer many of their offset questions. The popularity of self-service using the IVR has increased every year since its implementation in December 2000. At the height of tax season in 2007, almost 90 percent of callers chose the IVR option.

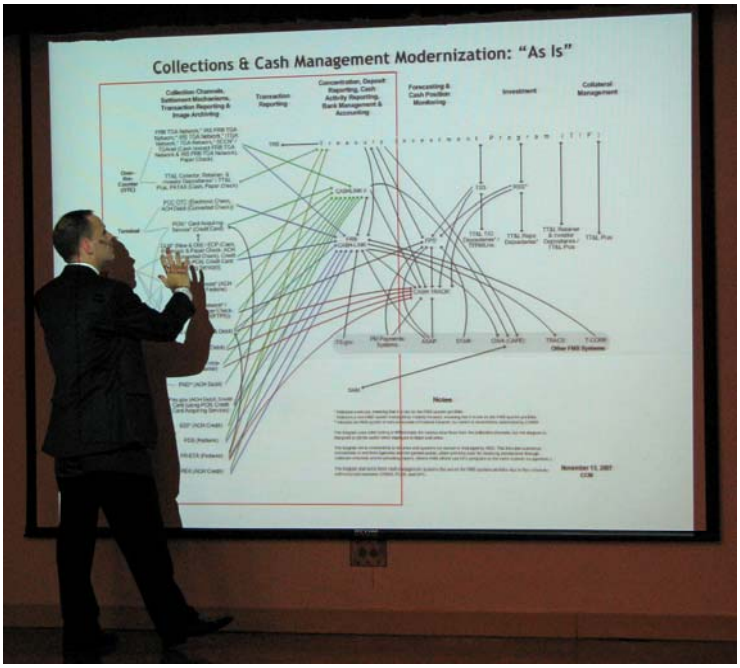
The Treasury Offset Call Center may be reached at 1-800-304-3107. Our normal business hours are Monday through Friday 7:30 a.m. to 5:00 p.m. Central time. There is also a line available to assist Spanish speaking callers from 12:30 p.m. until 5:00 p.m. During our peak season from January 22, 2008 through April 11, 2008, the hours have been expanded from 7:30 a.m. to 5:30 p.m., with the Spanish speaking line being available 12:30 p.m. to 5:30 p.m. The IVR automated system is available twenty-four hours a day, seven days a week.

You're Invited to FMS's Next CCMM Presentation

April 23, 2008
Philadelphia Financial Center
Agency Forum
Philadelphia, PA

(CCMM presentation will be one of the featured topics)

To register online visit http://fms.treas.gov/pfc/training.html or call Kathryne Gave at 215-516-8115.



Learn How the Treasury Department's Collections Modernization Initiative will Impact Your Agency

Gregory Till, Director of Modernization Planning

The Collections and Cash Management Modernization (CCMM) initiative is a sweeping, multiyear effort to streamline, modernize, and improve Treasury's and FMS's collections systems, processes, and services.

The forum is designed to help Federal agencies:

- Prepare for one-touch contact with FMS for transaction, deposit, and image reporting
- Prepare for the end of time-consuming reconciliations between transaction and deposit reports
- Learn about the phase-out of legacy collections systems and the timing for implementation of new ones

Space is limited; sign-up today!
For more information, visit www.fms.treas.gov/finconn