

THE FINANCIAL CONNECTION

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

EagleCash Cards Help Soldiers in Operation Iraqi Freedom

By SEAN KEMPLE

Soldiers at 12 U.S. Army bases in Iraq and Kuwait now have a safe, simple way to manage their finances while they are stationed abroad.

This is because the U.S. Department of the Treasury successfully installed EagleCash, Treasury's stored-value card program, this summer at the bases in partnership with the Department of the Army.

Since deploying the EagleCash system this summer, more than 11,000 have been issued and transactions representing more than \$30 million have been processed. Seventy kiosks and 1,200 point-of-sale terminals were installed. As of Sept. 13, soldiers had used their EagleCash cards for more than 20,000 transactions at the self-service kiosks and 90,000 transactions at the base PX/BX and U.S. Postal Service.

Convenience and Savings

In a place where soldiers have limited or no access to ATMs or bank tellers, EagleCash provides Armed Forces personnel with easy access to their

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Tyrone Lynn of the Financial Management Service (l.) helps soldiers in Iraq sign up for the EagleCash program.

funds without traveling across camp to stand in long lines at the Army Finance Office. Cardholders can check balances and transaction history, and transfer funds between their EagleCash card and their U.S. bank accounts at the self-service kiosks. Soldiers can make purchases at camp stores, the post office, and concessionaires who

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provide services such as haircuts and clothing alterations or who sell food and regionally manufactured products.

As a result of the implementation, the Finance Office cut in half the volume of paperwork required to issue checks to base exchange stores and postal facilities. The program also enhances the safety of soldiers and other personnel in deployed areas by reducing the number of missions required to supply the camps with currency. The cards eliminate the manually intensive back-end operations necessary to support scrip, vouchers, meal tickets, money orders, traveler's checks, and other paper payment mechanisms used in closed government environments.

EagleCash, which uses smart card technology with "electronic purses," also helps reduce the float loss associated with the more than \$2 billion in coins and currency in circulation on military bases and other closed government locations around the world. The cards eliminate the cost of securing, transporting, and accounting for cash held outside the Treasury.

The program's success is evidenced by the Army's plans to expand EagleCash to 17 additional locations in Iraq and issue EagleCash cards to soldiers in the United States before they deploy to Iraq and Kuwait. EagleCash also will be deployed in Egypt to support the multinational force and



observers in a peacekeeping mission on the Sinai Peninsula.

About the Deployment

The EagleCash deployment to Operation Iraqi Freedom was signed into action in February by Col. Karen Dyson, commander of the 266th Finance Command based in Germany. In addition to being personally active in the deployment, Dyson committed valuable personnel and resources to ensure the success of the project. Her representatives, Capt. Carl Kleinholz and Sgt. First Class Camilla Johnson, split time between Iraq and Kuwait and provided logistical support on the ground at each base.

Also involved in the implementation were employees of Treasury, the **Federal Reserve Bank of Boston**, U.S. Army Finance Command, the Army's 1st Personnel Command (Postal) (Forward), the Army and Air Force Exchange Service (AAFES) and independent contractors. Among those deployed were representatives of Treasury's **Financial Management Service (FMS)**: Graham Mackenzie, Tyrone Lynn and Sean Kemple.

Before deployment, all team members were required to complete the CONUS Replacement Center (CRC) training at Fort Benning, Ga., in May. The CRC's mission is to receive and process individual non-unit related personnel (NRPs), civilians and units for deployment to and redeployment from the theaters of operations. The training included a graphic



Left: A soldier uses an EagleCash kiosk in Al Faw Palace, formerly owned by Saddam Hussein, near Baghdad, Iraq. Right: EagleCash is making U.S. soldiers' deployment life in Tikrit, Iraq, easier and safer.

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depiction of life inside a war zone such as medical training, individual readiness, explosive devices, and hostage training.

The team in Kuwait implemented the EagleCash system in five locations: Camp Arifjan, Camp Buehring, Camp Virginia, Camp Ali al Salem and Camp Patriot at Kuwait Naval Base. The team in Iraq implemented the system in seven locations: Baghdad International Airport, LSA Anaconda, Camp Liberty, Camp Slayer, COB Speicher, Camp Striker, and Camp Victory. Mackenzie and Lynn were in Iraq during deployment while Kemple was in Kuwait. Mackenzie was the team lead for the team in Iraq; Juan de Jesus, USAFINCOM, headed the team in Kuwait.



and beyond routine program management.”

FMS Deputy Commissioner Judy Tillman said: “Our focus has appropriately been on the personal sacrifice of the brave individuals who went to Iraq and Kuwait for this deployment and on the great FMS-Federal Reserve-Armed Forces partnership. But none of this would have happened without the extraordinary vision of FMS Assistant Commissioner for Federal Finance Gary Grippo. His knowledge of the business need and the technology to support business improvements led to the development of EagleCash.”

For more information about EagleCash, please contact Graham Mackenzie at (202) 874-1845.

Modernization Leader Retires

Jack McGuire, director of the [Financial Management Service's](#) (FMS) Agency Enterprise Solutions Division, retired Sept. 2 after 35 years of government service.

Gary Grippo, FMS's Federal Finance assistant commissioner, noted McGuire was “responsible for the development of two critical infrastructure programs: the Electronic Federal Tax Payment System (EFTPS) and CASHLINK II. Jack can rightly claim to have contributed as much as anyone to the modernization of government fiscal operations. He leaves behind a great legacy.”

McGuire also had key responsibility for the development and deployment for FEDTAX II, Electronic Data Interchange, the Plastic Card Network, the [Internal Revenue Service](#) (IRS) lockbox and general lockbox rebids, the Federal Finance Y2K planning, and the stored-value card program (see accompanying article.)



The FMS team as they prepared for deployment (from left): Agency Enterprise Solutions Director Jack McGuire, Financial Program Specialist Tyrone Lynn, Program Manager Graham Mackenzie and Program Specialist Sean Kemple.

The desert heat at times was near or above 130 degrees. One team member reported seeing a thermometer that maxed at 130 degrees and blew its top.

“This mission was a terrific collaboration among Treasury, the Federal Reserve Bank of Boston and the U.S. Department of the Army,” said Treasury Fiscal Assistant Secretary Donald Hammond. “The dedication of the EagleCash team in planning and personally executing this installation goes above

FMS Charts a Course to Work with Agencies on Streamlined Collections

BY KEN PAPA J

Commissioner, Financial Management Service

The **Financial Management Service** (FMS) operates and administers a number of collection systems, worldwide in scope, that bring in the revenues (\$2.93 trillion in fiscal year 2006) that are needed to operate the federal government.

Through a network of more than 10,000 financial institutions, FMS manages the collection of federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines and proceeds from leases. These revenues are collected by a number of systems and mechanisms developed and operated by FMS to meet program agency needs, such as the Electronic Federal Tax Payment System (EFTPS), lockboxes, Treasury General Accounts (TGAs), debit/credit cards, and Pay.gov, a governmentwide Internet collections system.

Our Goal: All-Electronic Collection

Although 80 percent of the dollar revenues are collected electronically, this represents only about 35 to 40 percent of the transaction volume. This means that there are tens of millions of paper checks, remittances and invoices—including approximately 40 million federal tax deposit (FTD) coupons—flowing through the systems. One of our key strategic goals is to move to all-electronic processing for collections and to eliminate paper.

EFTPS

Our primary focus for increasing electronic collections is EFTPS, which processes 70 percent (more than \$1.7 trillion) of U.S. tax payments. EFTPS is required for businesses with annual federal tax obligations of more than \$200,000. We want to increase EFTPS usage by both businesses (thereby reducing the use of FTD coupons) and individuals,

especially those who make quarterly estimated payments.

To publicize the benefits and increase the usage of EFTPS, FMS conducted a marketing campaign aimed at reducing the number of FTD coupons in the system. It costs the government 53 cents more to process a coupon than an electronic payment through EFTPS. The campaign targeted tax professionals, small businesses and financial institutions to communicate the benefits of accu-

racy, security and flexibility associated with EFTPS. This initiative reduced the number of coupons processed by 3.3 million in FY06.

Another major initiative for the next few years is the EFTPS state pilot project.

This effort involves permitting business taxpayers to pay their state withholding and federal taxes concurrently through EFTPS. The first phase of this pilot, which will be operational this winter, involves using our EFTPS online application to make the federal and state tax payments. Subsequent phases will target tax preparers and payroll processors that make bulk tax payments on behalf of many customers. FMS is very optimistic that the state pilot will increase new EFTPS enrollments while also providing benefits to the states.

FMS is also working with the **Internal Revenue Service** to reduce the float advantage of paying taxes by check by recognizing electronic tax payments on the day individuals initiate them in EFTPS rather than on the settlement date, just as paper payments are recognized as timely based on a postmark and not on the date the check clears. Additionally, we are working with IRS on a variety of proposals to further decrease the use of FTD coupons by businesses and increase EFTPS usage.

Check Conversion and Truncation

Another major focus for eliminating paper and moving to electronic collections is the truncation,

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conversion and imaging of paper checks and other documents at the point of receipt. FMS offers two services to achieve these objectives. The Paper Check Conversion Over the Counter (PCC OTC) service operates at federal program agencies and either converts paper checks into electronic funds transfer (EFT) debits or truncates the paper checks into substitute check images, with the check image being forwarded electronically for clearance and settlement. In both cases, the paper check does not move beyond the agency receiving the item.

A second, related service, known as Electronic Check Processing (ECP), processes all paper checks received at lockbox banks within the General Lockbox Network. Like PCC OTC, ECP has the capability to convert the check into an EFT debit transaction or truncate it into an image document for electronic settlement.

ECP provides a governmentwide enterprise solution for imaging checks and remittance forms as well as a central repository for agencies to access their check transactions via a secure Internet site. FMS intends to continue to roll out PCC OTC and ECP over the next few years. If your agency does not use PCC OTC or ECP, an FMS employee will be contacting you. These services will improve the collection, reconciliation, research and reporting process associated with over-the-counter and lockbox check collections.

TGAnet

FMS is also helping agencies to implement TGAnet, which is our solution to automate over-the-counter

“One of our key strategic goals is to move to all electronic processing for collections and to eliminate paper.”

deposit reporting. TGAnet eliminates the need for agencies to prepare paper deposit tickets and debit vouchers by providing a secure, Web-based system. The application provides user-friendly features such as online edits and drop-down selection fields to minimize errors by agencies. TGAnet collects more detailed, subtotal accounting information that can feed into agencies' administrative accounting systems as well as FMS's central accounting system. In the months ahead, FMS will be working with agencies to convert them to TGAnet to strengthen and improve cash management practices for over-the-counter collections.



As FMS commissioner, Ken Papaj is responsible for managing \$2.67 trillion a year in federal collection systems.

Collections and Cash Management

Over the years, Treasury's collections and cash management systems and processes have been developed in an ad-hoc, stovepipe way and without coordination across cash management areas and other FMS programs. This has resulted in systems that are monolithic in nature and have multiple interdependencies and significant redundancies. For example, we currently have 11 different origination systems to support our

various collection channels.

To re-architect and rationalize the processes that have developed over the last 30-plus years, FMS has initiated a comprehensive effort to simply, streamline and improve the systems and processes supporting our collections and cash management programs. This effort is called the Collections and Cash Management Modernization (CCMM) initiative. CCMM is FMS's long-term strategy to develop a new end-state architecture for the collections and cash management programs. The initiative will address all collections and settlement mechanisms, transaction reporting, cash concentration, cash forecasting

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and investment practices.

One of CCMM's key goals is to separate the collection channels from the settlement operations so that there is one system per collection channel (i.e., mail, OTC, Internet) and one system per settlement mechanism (i.e., ACH, card, check, wire). Another goal is to consolidate, reduce and eliminate systems such as CA\$HLINK II. This will help facilitate straight-through processing for all collections transactions, which will

eliminate inefficient interdependencies, system interfaces and manual intervention processes. CCMM will also enable FMS to drive non-tax collec-

tions from high-cost collection channels such as OTC and lockboxes to the Internet through Pay.gov.

One of the major benefits that agencies will realize from CCMM is a consolidated collections report that will pull together all revenues regardless of the channels (lockbox, TGA banks, credit card, debit card, etc.) used. The driving force behind this improvement is the Transactions Reporting System (TRS), which will replace the myriad of daily bank activity reports sent to agencies as well as the deposit reporting functions of CA\$HLINK II. TRS will be a data warehouse for all collections and revenue transactions and will allow FMS to provide agencies with a daily consolidated report of all collections processed through the myriad of available systems, banks and collection mechanisms rather than having to generate separate reports from multiple banks. Another benefit is that agencies will not have to reconcile the detail report against the summary information in CA\$HLINK II.

A prototype TRS has already been piloted with two agencies and two collection systems. The production system will be built in several releases in 2007, with a rollout to hundreds of agencies, commercial banks and Federal Reserve Banks in 2008. FMS will begin meeting with agencies in 2007 to discuss the new TRS formats and interfaces.

FMS is also working to develop an XML schema

for all revenue collection transactions. The use of XML reporting will facilitate standardization of financial reporting across government and help us realize the benefits of reduced data redundancy, improved reporting consistency and improved data quality. XML will also be used in the long run for simpler and more seamless interfaces with our commercial banks and program agencies.

Integrated Collections Program

To achieve our goals of all-electronic processing and streamlining and modernizing the cash management and collection programs, FMS is developing a holistic and integrated collections approach for each program agency. In the past, we worked with agencies on a program-by-program and ad hoc basis. Now, FMS staff will work through the agency's chief financial officer's (CFO) office to develop a broader understanding of the agency's collection portfolio and cash flows.

Working together, we will develop an integrated and appropriate mix of collection tools and mechanisms and associated implementation timelines to meet the

"FMS is developing a holistic and integrated collections approach for each program agency."

agency's needs. At the heart of this approach will be a strategic plan for each agency that lays out short- and long-term targets for moving paper transactions to electronic transactions, and high-cost collection mechanisms to more efficient ones.

This holistic approach is aimed at reducing paper collections; providing collection services that are simple, convenient and secure and that make full use of Web-based and electronic solutions; reducing the number of paper lockboxes and TGA depositaries; and expediting the collection and deposit of federal receipts. An additional benefit for agencies will be creation of a single Agency Participation Agreement (APA) that will incorporate all of the collection mechanisms and tools rather than the current process of separate APAs for each tool.

FMS will roll out the holistic and integrated approach in a phased process. Agencies have been divided into three tiers based on the dollar volume of their collection and cashflows. Between now and the end of calendar year 2007, FMS staff will meet with all agencies to begin developing the strategic collection plan and proposed implementation schedule. FMS will begin working with those agencies that have the largest dollar cashflows.

Agencies can contact their FMS customer relationship manager at CRM@fms.treas.gov to learn more about the holistic collections approach.

New Batch Software Helps Tax Preparers Make Payments

New software from the **Department of the Treasury** allows tax preparers to make up to 5,000 payments via the Electronic Federal Tax Payment System (EFTPS) with the single click of a mouse.

The free enhanced batch provider software may be used by those who make federal tax payments for at least three and up to 1,000 clients. It was demonstrated to more than 1,700 tax professionals this summer at **Internal Revenue Service (IRS)** National Tax Forums in Anaheim, Calif.; Chicago, Ill.; Atlanta, Ga.; Orlando, Fla.; Las Vegas, Nev.; and New York, N.Y. Others received copies in the mail. As of Sept. 30, nearly 56,000 business payments had been received using the new software.

How Batch Works

With the new software, which became available in May, data are encrypted and sent via the Internet. Improvements over the original DOS-based version include electronic registration and enrollment, real-time payment and enrollment data, real-time file transmission and replication, and enhanced report generation. Payments may be made from a master account, the clients' accounts or both. Each time a payment is submitted, the tax professional receives a confirmation message or e-mail.

"I estimate I'll probably save myself at least 50 percent time by using this new system," said Edward Hertzling of Hertzling & Associates, Lakewood, Colo.

Batch works best with 512 megabytes of memory and 125 megabytes of free disk space. It is compatible with Microsoft Windows, Mac and Linux operating systems. The sunset date for the original version of batch is Oct. 31, 2007.

About EFTPS

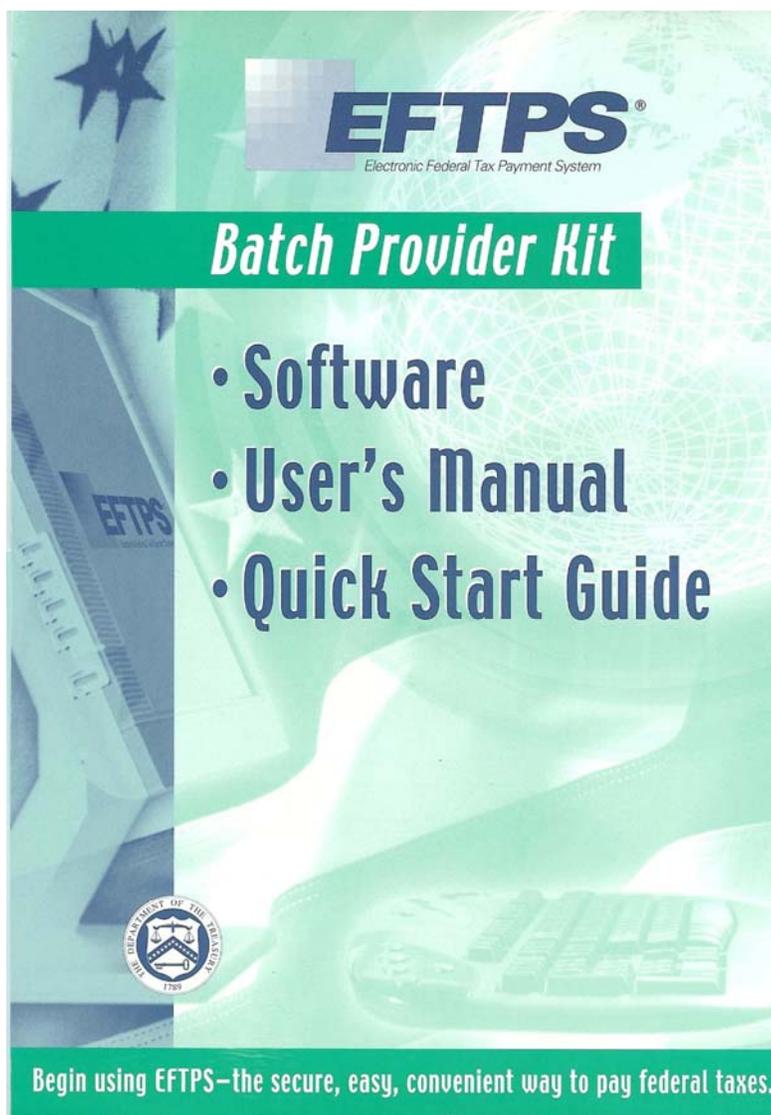
EFTPS has other options. Payroll processors and tax professionals with more than 1,000 clients may use the bulk option; for smaller tax preparers, businesses, and individuals, payments may be made via EFTPS Online or a

telephone voice response system.

EFTPS may be used to pay any federal tax, including corporate, excise and employment taxes, and 1040 quarterly estimated tax payments. Business payments may be scheduled up to 120 days in advance; individual payments may be scheduled up to 365 days in advance.

In calendar year 2005, taxpayers paid \$1.87 trillion using EFTPS, up 16 percent from 2004, and the number of payments rose 11 percent to 80.4 million.

To download the software or learn more about EFTPS, please visit www.eftps.gov.



The advertisement features a green and blue color scheme with a background of a globe and a computer keyboard. At the top left is a star icon. The EFTPS logo is prominently displayed in the upper right, with the tagline 'Electronic Federal Tax Payment System' below it. A green banner across the middle reads 'Batch Provider Kit'. Below this, a list of items is shown: 'Software', 'User's Manual', and 'Quick Start Guide'. In the bottom left corner, there is a circular seal for the Department of the Treasury, dated 1789. At the bottom, a green banner contains the text: 'Begin using EFTPS—the secure, easy, convenient way to pay federal taxes.'

Protecting Sensitive Data: It's All About Standards, Awareness and Common Sense

By THE MISSION ASSURANCE STAFF
INFORMATION RESOURCES

All federal employees have a responsibility to safeguard sensitive information entrusted to them by the public. Maintaining this trust requires specific written standards, periodic awareness training and a large measure of common sense. At the **Financial Management Service (FMS)**, we are committed to protecting the sensitive data of our customer federal agencies and the general public.

Standards

A number of information technology (IT) security standards help identify and enumerate the requirements for safeguarding sensitive information. One standard, for example, defines sensitive information and prescribes the security controls to protect such information. Other standards govern incident detection, response and reporting.

FMS also implements guidelines, recommendations and directives issued by the **Office of Management and Budget (OMB)**, the **National Institute of Standards and**

Technology (NIST) and other authorities. Recently, OMB issued a policy requiring agencies to encrypt all sensitive data on laptops or handheld computers. FMS embraces these policies and is strengthening its own standards.

Awareness Training

Government employees are expected to complete mandatory annual IT security and privacy awareness training and are expected to know and abide by existing standards, policies, procedures and directives regarding the protection, use, and nondisclosure of personally identifiable information. Formal training is bolstered by in-house classes, workshops, posters, newsletter articles and global e-mails targeted to specific requirements.

Common Sense

Training, standards and directives won't work without common sense. For example, employees should physically protect—under lock and key—devices that can be easily transported such as laptops, thumb drives, and CDs. Failure to safeguard sensitive and personally identifiable information violate federal law, which can carry severe civil and criminal penalties.

FMS will continue efforts to protect the most valuable information: yours!



UPCOMING EVENTS

For more about FMS events, see www.fms.treas.gov/calendar.html.

Nov. 2: U.S. Debit Card Agency Forum, Washington, D.C.

Nov. 14: Philadelphia Financial Center (PFC) Agency Forum, Philadelphia, Pa.

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