

THE FINANCIAL CONNECTION

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

What You Need to Know

Big Changes Coming for Federal Deposit Reporting

TREASURY, STATES JOIN FORCES ON DEBT COLLECTION	2
A LOOK AT FMS'S DEBT MANAGEMENT SERVICES	3
BUILDING RELATIONSHIPS	4
ELECTRONIC FEDERAL TAX PAYMENT SOFTWARE UPDATE	5
SURETY BOND SEMINAR	6
ENTERPRISE DATA ARCHITECTURE	7

BY FRED LEHNHOFF

The Financial Management Service (FMS) is undergoing a comprehensive move to a collections business line enterprise architecture. This effort is part of larger enterprise architecture initiatives within FMS, at the U.S. Department of the Treasury, and across the federal government. FMS is also implementing sweeping changes to its Governmentwide Accounting (GWA) processes and systems.

As part of these efforts, FMS is seeking to optimize its information technology infrastructure and realign it with core business functions. As a result, processes in CA\$HLINK II will migrate to successor systems in the near future. In particular, the deposit reporting and reconciliation processes now in CA\$HLINK II will be incrementally assumed by the new Transaction Reporting System (TRS).

TRS Will Integrate Collection Data

TRS will be a centralized repository of detailed collection transaction information that will simplify federal agency revenue management and accounting processes. It will provide a single touchpoint from which an agency can obtain transaction data and standard reports, integrating information across all collection channels and settlement mechanisms. With TRS's planned robust reporting and analytic features, agencies will be

able to sort and review their transaction and deposit data swiftly and in ways unavailable today.

Under the new model, the majority of deposit reports will be generated from detail-level transactions sent by financial institutions to TRS.

"Agencies should begin migrating all over-the-counter deposits to TGA.net as soon as possible. The sunset date for CA\$HLINK II is scheduled for the 2010 timeframe."

This will allow TRS to provide agencies with an integrated transaction/deposit report spanning all collection mechanisms on a daily basis. FMS expects that this integrated report will greatly streamline

agencies' reconciliation and balancing of cash receipts to deposits. TRS will also send deposit reports containing central accounting classification information to the GWA system, satisfying the new GWA reporting requirements.

TGA.net and the OTC Deposit Process

Agency over-the-counter (OTC) deposits to commercial banks and Federal Reserve Banks will present a variation on the model. With the phasing out of CA\$HLINK II, all agencies with OTC deposits will report them electronically in FMS's new Treasury General Account Deposit Reporting Network (TGA.net) system.

TGA.net is a secure Web-based application that automates the OTC deposit process and provides for electronic bank confirmation of agency deposits. TGA.net also captures detailed accounting information at the point of deposit, thereby facilitating the classification of Treasury collections

(Continued on page 8)

Treasury, States Work Together on Reciprocal Debt Collection Program

BY SARAH MARTIN

The **Financial Management Service's** Debt Management Services (DMS) is the central point for collecting debt owed to the federal government.

The Debt Collection Improvement Act of 1996 (DCIA) requires that all federal agencies refer debt over 180 days to Treasury for collection.

One of the collection tools that Treasury uses is the Treasury Offset Program (TOP), which matches federal payments against debts owed to the government. TOP is one of the largest and most effective tools available to collect delinquent federal tax and non-tax debt, child support, and state income tax debt. In calendar year 2006, TOP collected over \$3.3 billion.

DEBT COLLECTION

In 2005, DMS began to pursue a DCIA provision that allows the states to enter into reciprocal agreements with Treasury to collect unpaid state debt by offset of federal non-tax payments. The provision also allows the federal government to collect delinquent non-tax debt by offset of state payments. The offset of federal payments to collect state debt is considered administrative offset while the offset of state payments to collect federal non-tax debt is called state payment offset. Any state debts, including tax, are eligible to be referred to TOP with the exception of child support and debts owed by other governments (state, local, foreign, etc).

This means that if a state is already submitting its income tax debts to TOP, the state is now

(Continued on page 8)

	ADMINISTRATIVE OFFSET	STATE PAYMENT OFFSET
	(offset of federal payments to collect State debts)	(offset of state payments to collect federal non-tax debts)
Statutes	31 U.S.C. 3716	State law and 31 U.S.C. 3716(h)
Regulations	New rule at 31 CFR 285.6	State regulations, if any, and 31 CFR 285.6
Debts to be Collected	State debts (including tax) other than child support and debts owed by other governments (state, local, foreign, etc.)	Non-tax debts owed to the United States
Payments to be Offset	All federal payments except payments exempt under 31 CFR 285.5, federal benefit payments, tax refunds, salary and other payments specified in the reciprocal agreement	All state payments, as authorized by applicable state laws and the reciprocal agreements.
Creditor Agencies	Voluntary for states as creditor agencies	Voluntary for federal creditor agencies to participate
Payment Agencies	No discretion for payment agencies	State payment agencies participate according to state law and reciprocal agreement
Due Process Requirements	31 U.S.C. 3716 and new rule	State law

Payment Due: A Look at FMS's Debt Management Services

By **RITA BRATCHER**
Assistant Commissioner,
Debt Management Services

I'm closing in on my first year as the **Financial Management Service's** (FMS) assistant commissioner for the Debt Management Service, and what a year it has been! Although new to DMS, I am not new to FMS, having just completed my 36th year, but who is counting?

Most of my time at FMS was spent in the Federal Finance assistant commissioner's area, so I

ASSISTANT COMMISSIONER'S REPORT

was around when the Debt Collection program started. For those of you who don't know, the Debt

Collection program recovers delinquent government and child support debt by providing centralized debt collection, oversight, and operational services to federal program agencies and States as required by the Debt Collection Improvement Act of 1996 (DCIA) and related legislation. We are in our tenth year and our collections just keep on growing.

I must admit that I was one of those folks who thought that the Debt Collection program would put itself out of business in about five years, collecting the majority of federal debt. Boy, was I wrong! Our total collections for fiscal year 2007 will exceed \$3.5 billion.

Debt Collection Tools

One of the primary reasons FMS was given debt collection authority under the DCIA is that FMS is the government's central disbursing agency. Accordingly, the payment offset program is the primary tool FMS uses to collect delinquent (over 180 days old) debt. This program, called the Treasury Offset Program (TOP), compares the names and taxpayer identification numbers (TINs) of debtors with the names and TINs of federal payment recipients. If there is a match, the payments are reduced or "offset" to satisfy the debt in whole or in part.

The Cross-Servicing Program is the second tool we use to collect debts. Under this program, federal agencies refer delinquent non-tax debt to FMS for collection by tools such as payment offset, demand letters, repayment agreements, administrative wage garnishment, credit bureau reporting and referrals to the **U.S.**

Department of Justice and five private collection agencies.

DMS has a very active outreach program to federal agencies that includes meetings, workgroups, consultation, education and conferences, all designed to encourage improvements in debt referrals and the accurate reporting of eligible debts.

Pilot Programs Under Way

We are continually looking for ways to increase debt collections and to that end, we are participating with federal agencies and states in several pilot programs. We are working with IRS and the Centers for Medicare and Medicaid Services to develop a pilot to offset payments made to Medicare providers that are delinquent in paying federal taxes. If successful, we anticipate annual collections to exceed \$50 million.

On the state front, we have pilot reciprocal agreement programs under way with Maryland and New Jersey where we are offsetting federal vendor payments for state debt and offsetting state payments for federal debts. The pilot with Maryland started in June and New Jersey was up and running



Rita Bratcher is the FMS Debt Management Services assistant commissioner.

(Continued on page 8)

AT FMS, IT'S ALL ABOUT (CUSTOMER) RELATIONSHIPS

BY TIMOTHY KANALEY

As the **Financial Management Service (FMS)** moves ahead with its holistic approach to cash management practices governmentwide, federal program agencies are likely to hear from a division within FMS's Federal Finance assistant commissioner area.

That unit, the Agency Relationship Management (ARM) Division within FMS, serves a critical role in the overall holistic approach. ARM customer relationship managers (CRMs) propose overall cash management improvements by identifying target Chief Financial Officers (CFO) Council agencies and reviewing historical collection activities independently and in cooperation with bureaus. The CRMs stress the use of Electronic Funds Transfer (EFT) mechanisms.

The CRMs work with agencies, departments and bureaus to help them understand the options available to them as well as the consequences of maintaining inefficient collection methods. These specialists are responsible for building relationships with the agencies, ultimately leading to signed agreements that detail how cashflows will migrate to EFT.

The reasons behind the holistic approach concept can be boiled down to two words: cost and efficiency.

Cost and Efficiency

The cost of transacting a paper-based collection is becoming prohibitively expensive. An ACH-based collection may cost several cents, but the same collection using paper could cost nearly two dollars.

Efficiency gains through the use of EFT collections are numerous. The more timely

collection of federal receipts means the increased investment potential of federal funds. Paper collections can take days or weeks to clear and for funds to become available; in most cases, an EFT collection is cleared and available immediately or within one day.

EFT also decreases the likelihood of errors in the handling of a collection. For example, a federal fee payment made using a paper coupon and a



check is thirty times more likely to have a problem in processing than one made using Pay.gov, the government's Internet collections portal. Overall, EFT provides a fast, efficient, convenient, safe and secure way for federal agencies to collect funds from their remitters.

Collection Goal: 90 Percent

One of FMS's goals is the collection of 90 percent of all receipts via EFT by 2010. For the last several years, EFT conversion has been stagnant at 79 percent. FMS asks agency representatives to assist us in bringing federal collections fully into the 21st century.

For more information, contact your agency's CRM, whose contact information is on the next page and at www.fms.treas.gov/eft/contacts.html.

Electronic Federal Tax Payment System Announces Software Sunset Dates

The Electronic Federal Tax Payment System (EFTPS), the **U.S. Department of the Treasury's** free service, is focusing future development efforts on its enhanced batch provider software and is announcing end of life (EOL) dates for two obsolete software interfaces.

The enhanced software, released in May 2006, allows tax professionals to send up to 1,000 taxpayer enrollments and 5,000 payments in a single transmission. New batch, available for the Windows, Mac, and Linux operating systems, also lets tax professionals synchronize enrollments and payment history with the EFTPS database in real time with an existing Internet connection. The software supports nine tax types that previous versions do not, including Form 944, the annual employment tax filing for very small businesses.

The software, a complete User's Manual and Quick Start Guide are available for free download at <https://www.eftps.com/eftps/ext/hds.html>.

Users of the old dial-up version of the software must convert to the new batch by October 31,

2007. The dial-up version is over ten years old, and a replacement was long overdue. The Windows operating systems for which the software was designed are no longer supported.

Also, tax professionals and taxpayers currently using the old EFTPS PC software must convert to the new batch by January 31, 2008. Tax professionals who are using the old PC software must register the new software and re-enroll all clients, a process that takes about two weeks.

Individual taxpayers as well as tax professionals making payments for their own business only who are currently using the old PC software may be interested in using EFTPS online (www.eftps.gov). This channel may be used if the person authorized to make the payment has the person's Tax Identification Number, EFTPS personal identification number (PIN) and Internet Password.

For questions about the batch provider software, call EFTPS customer service at 1 (800) 945-0966.

CRM CONTACTS FOR CFO AGENCIES

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Small Business Administration	Richard Harris
Social Security Administration	Timothy Kanaley
State	Richard Harris
Transportation	Joann Franklin
Treasury	Joann Franklin
Veterans Affairs	Peter Moore

Contracting Officials Attend Federal Surety Bond Seminar

By **ROSE MILLER AND ROBERT A. CLINE**

More than 60 federal contracting officer's technical representatives (COTRs), legal staff and others attended a "Dynamics of Surety Bonds" seminar at the University of Maryland University Inn and Conference Center in Adelphi, Md. The Financial Management Service's (FMS) Surety Bond Branch (SBB) hosted the Feb. 1 event.

Agencies and bureaus represented included the **Department of Justice, the Department of the Interior's Minerals Management Service, the Department of Homeland Security's Customs and Border Protection and Immigration and Customs Enforcement, the Department of Veterans Affairs, the Small Business Administration, the Department of Agriculture's Forest Service and Rural Development, the Department of Transportation's Maritime Administration, the Department of Labor and the Architect of the Capitol.**

The session started with remarks from Assistant Commissioner of Financial Operations Janice Lucas, Director of the Financial Accounting and Services Division Vivian Cooper, and SBB Manager Rose Miller.



More than 60 people participated in the surety bond seminar. Speakers included FMS Financial Operations Assistant Commissioner Janice Lucas (front, far right) and Surety Bond Branch Manager Rose Miller (next to Lucas).

Next, the event featured an in-depth presentation by James Regan, FMS senior attorney and Robert Cline, SBB senior financial program specialist, applicable federal statutes and regulations. Regan described the SBB process by which a corporate insurance company can make an application to become a Treasury certified direct writer of federal bonds. He also reviewed the relevant statutes and regulations that govern participation in the program by corporate sureties.

Mark McCallum, general counsel for the National Association of Surety Bond Producers (NASBP), discussed the status of Powers of Attorney (POA) and the use of appropriate POA forms. He also addressed the use and acceptance of electronic signatures.

Mary Jeanne Anderson, Vice President, Arch Insurance Company, provided us with an understanding of the bond underwriting process and considerations that a corporate surety must undertake before issuing a surety bond to a principal.

The seminar's afternoon session included a presentation on Miller Act Bonds and federal acquisition regulations by Jerry Olson, a senior procurement analyst with the **General Services Administration's Office of Acquisition Policy.**

Robert E. Little Jr., associate counsel of the Naval Facilities Engineering Command, provided an overview of surety issues. His presentation facilitated a discussion of this alternative form of guarantee.

Edward G. Gallagher, general counsel for the Surety and Fidelity Association of America (SFAA), gave a presentation on the association's surety bond authentication program through which contracting officials can independently check with the SFAA as to whether a corporate surety listed on the bond authorized its execution.

Tesha Williams of the **Small Business Administration** provided an overview of SBA's Surety Bond Guarantees Program.

For more information, contact Robert Cline at (202) 874-6507 or Rose Miller at (202) 874-6850.

Enterprise Data Architecture: E Pluribus Unum

BY FRED LEHNHOFF

Out of many, one. The concept expressed by the familiar motto is a powerful one, and it succinctly captures the goal of creating a unified data structure and set of data standards from the plurality that exists today across the federal government. To reach that goal, the **Financial Management Service (FMS)** is taking a leadership role in developing an enterprise data architecture and XML standards for federal financial transactions and reports.

Business Orientation

By now, many federal employees, whether business- or IT-oriented, understand that data is a valuable corporate asset to be managed with care and optimized like any physical asset. Key tools for managing this critical asset include:

- capturing and ensuring a common understanding of the meaning and use of information and creating and
- using a standard representation of data to facilitate interchange among systems and business organizations.

The former relates to enterprise data architecture, and the latter to data standards, particularly in this case the XML family.

As the phrase "meaning and use of information" goes to the heart of an organization's financial processes, FMS is taking a business-oriented approach to enterprise data architecture, with strong support from our IT resources.

Enterprisewide Scope

The term "enterprise" comes in different sizes. FMS is leading the financial data architecture and standards effort at these various enterprise levels: business line, agency, department, and federal government.

Beginning with the collections business line, FMS developed a standard model and XML schema (representation) for federal collections transactions earlier this year. With over 20 discrete sources of collections transaction data operated by FMS, that

standard schema was a key early step.

FMS is in the process of harmonizing the collections schema with the payments business line, to be followed by other business lines in the agency, including Governmentwide Accounting (GWA).

The data architecture team is concurrently engaging new major data stores being built in the agency to ensure synchronization. New major data stores include the Transaction Reporting System (TRS) for collections, the Payments Application Modernization (PAM), and the US Standard General Ledger and GWA projects.

This agency-level work feeds into broader Federal Enterprise Architecture (FEA) initiatives. FMS expects the data architecture and standards for federal financial transactions and reports to be an important part of the data reference model for the entire government under FEA.

Partnership and Reuse

FMS is also fostering a robust partnership with federal agencies and groups including the **Federal Deposit Insurance Corporation, Securities and Exchange Commission, General Services Administration, Environmental Protection Agency, Department of Defense, Office of Management and Budget, Financial Management Line of Business, Common**

Governmentwide Accounting Code group and the **Financial Systems Integration Office**.

The ultimate goal is a standard for interchanging federal financial data among agencies and from program agencies to Treasury and OMB. This living data standard will be widely used and continue to evolve to meet changing business needs, and will require a strong and flexible data governance process.

The standard will reflect and map to financial industry standards for transactions and reporting, and will be widely available in a data registry centrally managed by FMS with its partners.

For more information, contact FMS's Enterprise Data Architect Ed Coia at (202) 874-7039, Chief XML Architect Marcel Jemio at (202) 874-6838 or XML Specialist Brian Brotsos at (202) 874-1618.

"The ultimate goal is a standard for interchanging federal financial data among agencies and from program agencies to Treasury and OMB."

FEDERAL DEPOSIT REPORTING CHANGES

(Continued from page 1)

on a daily basis. TGAnet will feed deposit information to TRS, which will consolidate it with an agency's other collections activity in the daily integrated transaction/deposit report.

To prepare for the transition away from CA\$HLINK II, agencies should begin migrating all OTC deposits to TGAnet as soon as possible. The sunset date for CA\$HLINK II is scheduled for the 2010 timeframe. Agencies should also be ready to work with the TRS team starting this year.

FMS recognizes that the upcoming changes will require some effort on all of our parts to accomplish, and we plan to take an incremental

approach over the next three years. We strongly believe that the rewards—including easier-to-use financial information, more timely central accounting classifications, better funds control over deposits, more streamlined reporting and reconciliation of cash receipts and deposits, and significant cost savings to the government—will more than justify the effort. We are committed to working closely with our agency customers to make it happen and get it right.

For questions about TRS, contact Christina Cox at (202) 874-7207. To learn more about TGAnet, visit www.fms.treas.gov/tganet. For information about implementing TGAnet at your agency, contact the Treasury Support Center at 1 (877) 255-9033. If you have questions about CA\$HLINK II, please contact Tamara Whitaker at (202) 874-7132.

RECIPROCAL DEBT COLLECTION PROGRAM

(Continued from page 2)

eligible for administrative offset as well. On the flip side, any non-tax federal debt in TOP will be eligible for state payment offset. As always, bypass indicators are available if a creditor agency does not want a particular payment type offset.

The interim rule for Administrative Offset Under Reciprocal Agreements with States (31 CFR 285.6) was published in the Federal Register on January 11, 2007. This rule provides guidance to the states about the program and informs them that before a

state can participate in the program, they must enter into an agreement with DMS. Payments that are not eligible for the program are also defined in the rule.

The chart on Page 2 provides a summary of how the program works.

DMS is working on a pilot with Maryland, New Jersey and Kentucky to conduct reciprocal offsets. For this pilot, administrative offset consists of federal vendor payments being offset against state debts and state payment offset will consist of state vendor and state tax refund payments being offset against federal non-tax debts in TOP.

For more information, contact Sarah Martin at (202) 874-6884 or sarah.martin@fms.treas.gov.

ASSISTANT COMMISSIONER'S REPORT

(Continued from page 3)

in July. With just a few days under our belt, both sides have collected in excess of \$100,000. Kentucky will be operational by September 30, 2007. *(For more details on this pilot, please see page 2.)*

So far, this looks like a win/win situation and we will be doing what we can to attract more states to this program.

You can see we are quite busy but cannot hope to be successful without support from federal program agencies. Please contact us if you have any suggestions for improvements in debt collection or if we can help in any way to increase delinquent debt referrals.

The Financial Connection is published by the Financial Management Service, a bureau of the U.S. Department of the Treasury. Our address is FMS, 401 14th Street SW, Room 304E, Washington, DC 20227; phone: (202) 874-6763; e-mail, melanie.rigney@fms.treas.gov. For a free subscription to the electronic version, visit fmsapps.treas.gov/subscription/subscription.asp.

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