

Collections and Cash Management Modernization: Overview, Implications, and Time Frames for Agencies

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Prologue

- Ongoing changes are nearly complete that will impact how Federal agencies, agent and depository banks, and various FMS offices process deposits of public money and information about those deposits
- These changes come under the title of Collections and Cash Management Modernization (CCMM)

Purpose

- Discuss what CCMM changes have occurred and (more importantly) what's left, and why it matters is agencies
- Give a heads-up about new changes that are being planned that could impact agencies

Three Recurring Themes

- FMS is re-organizing its collections systems and processes to eliminate redundant functionality. Among other things:
 - OTCnet is replacing the Paper Check Conversion Over The Counter (PCC OTC) program
 - OTC is replacing paper deposit tickets used by agencies and depositories in CA\$HLINK II
 - The Transaction Reporting System (TRS) is replacing reports that agencies receive from multiple collection programs and CA\$HLINK II
- FMS is changing how it performs reporting to provide agencies and other Treasury systems with detailed collections information through centralized means and in a standard format
- FMS is changing how it performs reporting to improve the accuracy of information provided to agencies and meet Governmentwide Accounting requirements

CCMM Defined

- Collections and Cash Management Modernization (CCMM) is an initiative to simplify and modernize FMS's and Treasury's collections and cash management programs
- Began in 2006 and its major objectives will be complete by the end of 2012
- CCMM describes the business functions that will be part of the end state architecture, the boundaries of the programs that will serve those functions (and their connections), and the path for achieving the end state
 - Re-architecting of functions and programs that have accumulated over decades
 - Emphasis is on business architecture, as opposed to technology architecture

Business Scope

- CCMM primarily addresses collections and cash management programs and functions within FMS's Federal Finance Assistant Commissioner area
- CCMM helps to address FMS's larger accounting efforts
 - Governmentwide Accounting is handled by GWA
 - The Transaction Reporting System (TRS) in particular supports GWA efforts, as discussed later
- CCMM does not address (but may impact):
 - Money coming in from the recovery of delinquent debts (debt collection)
 - Transfers of funds between agency offices (intra-governmental payments and collections)
 - Money paid out by the government (disbursements)

Federal Finance

- Mission
 - Our mission is to evaluate, develop and operate collection and cash management programs that minimize cost and maximize the effectiveness and efficiency of Federal Government's financial management
- Vision
 - Our vision is to provide world-class collection and cash management services to customer agencies and the public. Our services will process Government financial transactions
 - electronically, by leading Federal agencies to increase their use of appropriate cash flow technologies
 - innovatively, by employing advanced banking, information reporting, imaging, and telecommunication opportunities
 - securely, by designing and operating our systems to be compliant with security mandates and best practices
 - efficiently, by managing costs and programs appropriately
 - effectively, by working collaboratively with our Fiscal and Financial Agents in the banking community

Collections and Cash Management

- Collecting the revenue. We have:
 - Channels programs, which are designed around how we receive transactions
 - Settlement mechanism programs, which are shared services designed to settle transactions
- Performing cash management. We have programs that:
 - Provide reports to agencies
 - Centralize funds in the Treasury General Account (the Government's checking account)
 - Ensure that collections are collateralized
 - Manage the banks that help run these programs

Statistics on Revenue Collections

- \$3 trillion in annual gross revenue collections
- 400 million revenue transactions
- Hundreds of agency cash flows

Examples of Revenue Collections

- Taxes (over \$2 trillion)
- Student loan repayments
- Customs duties
- National Park entrance fees
- Defense commissary retail sales
- U.S. Mint coin sales
- Donations to U.S. Battle Monuments Commission
- SEC filing fees
- FCC airwave auction fees

Note: In many instances, FMS collection programs deal directly with the public, not just agencies. When this is the case, they often handle agency program information, in addition to financial information

Use of Depositories and Agents

- FMS makes extensive use of depositories and fiscal and financial agents, pursuant to statutory authorities
- Fiscal agents = Federal Reserve Banks (FRBs)
- Financial agents = Commercial banks
- Depositories = Either type of bank
- Numbers are declining and this trend will continue

Reasons for CCMM

- Explosion of ways of doing business in the late 90's and early 00's
 - Internet, point-of-sale transactions, credit cards, check conversion & truncation
- Few defining principles or strategy for determining what the boundaries of programs should be
 - Expediency in meeting agency demand was the primary driver
 - Opportunities lost might not be recovered
 - Agency-specific and FRB-specific solutions

Reasons for CCMM

- Problems listed on previous slide led to several sub-optimal results
 - Too much duplication of effort: Collections programs historically have served multiple business lines and business lines have been served by multiple collections programs
 - Little reusability: Each program typically stands alone and cannot be invoked by others
 - Possibility of “lock-in”: Over-reliance on point-to-point connections to agencies and use of proprietary files formats, which makes it difficult to replace agents

Reasons for CCMM

- CCMM was initiated to plan the collections and cash management business architecture and ensure that we implement programs for the long run
- It establishes a principled end-state business architecture and coordinates efforts to achieve it

FMS Benefits

- Save money
 - Current operations are highly effective, but not efficient
 - Duplication of data, applications, products, interfaces, and technologies
 - Little or no reusability
 - Potential for “lock-in” and costly dependencies on particular banks
 - Potential for poorer service, too, without a competitive environment
- Mitigate risk
 - Complexity of the architecture had become a growing operational risk to the Government

The result will be fewer programs and programs that perform fewer functions. Please note that we’re not eliminating functionality (except for that which is no longer needed); we’re just eliminating its redundant implementation

Agency Benefit: Better Service

- An easier-to-understand mix of revenue collection programs
- Modernized, dedicated programs
- Consolidation of transaction and deposit reporting in a centralized location
- Elimination of daily reconciliations to deposit reports (CA\$HLINK II)
- Capturing of TAS/BETC information at the time of transaction
- Standardization of file format (XML) for transaction details

Collections & Cash Management

In a Nutshell

Collect → Report → Centralize → Manage

Collection Channels	Settlement Mechanisms
OTC	Card
Mail	Check
Phone	ACH Debit
Internet	ACH Credit
“Bank”	Wire

Business Lines

1. OTC Channel ■ Commercial Bank (Citibank)
2. Mail Channel ■ Commercial Bank (Citibank)
3. Phone Channel ■ Commercial Bank (Bank of America) (shared with Internet Channel (Tax))
4. Internet Channel (Tax) ■ Commercial Bank (Bank of America)
5. Internet Channel (Non-Tax) ■ Federal Reserve Bank (FRB Cleveland)
6. Card Processing ■ Commercial Bank (Fifth Third)
7. Debit Processing (ACH Debit & Check) ■ Federal Reserve Bank (FRB Cleveland)
8. Credit Processing (ACH Credit & Fedwire) ■ Commercial Bank (US Bank)
9. Transaction Reporting ■ Commercial Bank (PNC Bank) & Image Archiving ■ In-House
10. Central Account Processing ■ Federal Reserve Bank (FRB Boston)
11. Collateral Management ■ Federal Reserve Bank (FRB Philadelphia)
12. Bank Management ■ Federal Reserve Bank (FRB Boston)

“Before” Diagram

- “Tic-tac” boxes under each program represent individual business lines that the program serves
- Diagram illustrates the extent to which programs serve multiple business lines and business lines are served by multiple programs

Collection Channels

Settlement Processing

Transaction Reporting & Image Archiving

Central Account Management

Collateral & Bank Management

TT&L Collector, Retainer, & Investor Depositories / TT&L Plus & PATAx



PCN



CCC Network, FRB TGA Network, IRS FRB TGA Network, IRS TGA Network, ITGA Network, SCCN, TGA Network / TGA.net & EBS



CA\$HLINK II



TIP



PCC OTC



GLN - Paper Lockboxes / ECP



FR-ETA



IRS Lockbox Network / TGA.net



GAA



EFTPS



RRBLink



FDS



FEDTAX II



FRB CA\$H-LINK



TT&L Plus



Pay.gov, PG VA, PG VS



PAD



Electronic Lockboxes



EDI



REX



Principles

- Separate collection channels, settlement mechanisms, reporting and image archiving into distinct business lines and systems
 - Settlement as a shared service
 - Reduction of reporting touch points to agencies
- Push toward one system per business line
 - Breaking up of conglomerate, monolithic systems that span multiple business lines
 - Consolidation of redundant systems that serve individual business lines
- Increase use of open or commercial processes instead of proprietary or Government-specific processes

“After” Diagram

- Each program serves one business line and each business line is served by one program

Collection Channels

Settlement Processing

Transaction Reporting & Image Archiving

Central Account Management

Collateral & Bank Management

IRS TGA Network, ITGA Network, SCCN, TGA Network / OTCnet



CAS



TRS



TCMM



GLN, IRS Lockbox Network / ECP



Debit Gateway



TCMS



EFTPS



Image Archive



BMS



Pay.gov



Credit Gateway



Collection Channels

- A channel is the medium through which FMS first acquires a transaction
 - The channel refers to how FMS receives a transaction, not how the agency receives it
 - If an agency receives a call from the public and enters that information on an FMS web page, the channel is “Internet”
- Previously, collections programs served multiple channels and other business lines
 - Much duplication of effort
- We are attempting to achieve one system per channel
 - OTC: OTCnet, used by various depositories
 - Mail: ECP, used by lockbox banks
 - Phone: EFTPS
 - Internet: EFTPS and Pay.gov, for tax and non-tax purposes, respectively

Collection Channels

- OTCnet conversion involves many agencies
 - Agencies that are using PCC OTC need to get onto OTCnet
 - PCC OTC is ending in 2012
 - Agencies that are walking or mailing deposits to their depositories need to get onto OTCnet
 - CA\$HLINK II is ending in 2012
 - TGAnet users have long ago been converted
- Other channel conversions involve fewer agencies
 - ACH debit electronic lockboxes are moving to Pay.gov, but very few are left

Settlement Processing

- Settlement processing refers to the means by which transactions are settled (i.e., placed in an account for Treasury)
 - Specific settlement mechanisms include cash, credit card, check, ACH debits, ACH credits, Fedwire
- Previously, collections programs each performed their own settlement, as well as serving other business lines
 - Much duplication

Settlement Processing

- There should be no more than one system or program per settlement mechanism
 - Card Processing (i.e., credit & debit card transactions: CAS)
 - Debit Processing: (i.e., ACH debit and electronic check transactions): Debit Gateway
 - Credit Processing: (i.e., ACH credit and Fedwire transactions): Credit Gateway
- Programs can be invoked by collections channels
 - Shared service concept
- Credit Gateway conversion involves a handful of agencies
 - ACH credit and Fedwire electronic lockboxes
 - Requires new payments instructions for the public

Transaction Reporting & Image Archiving

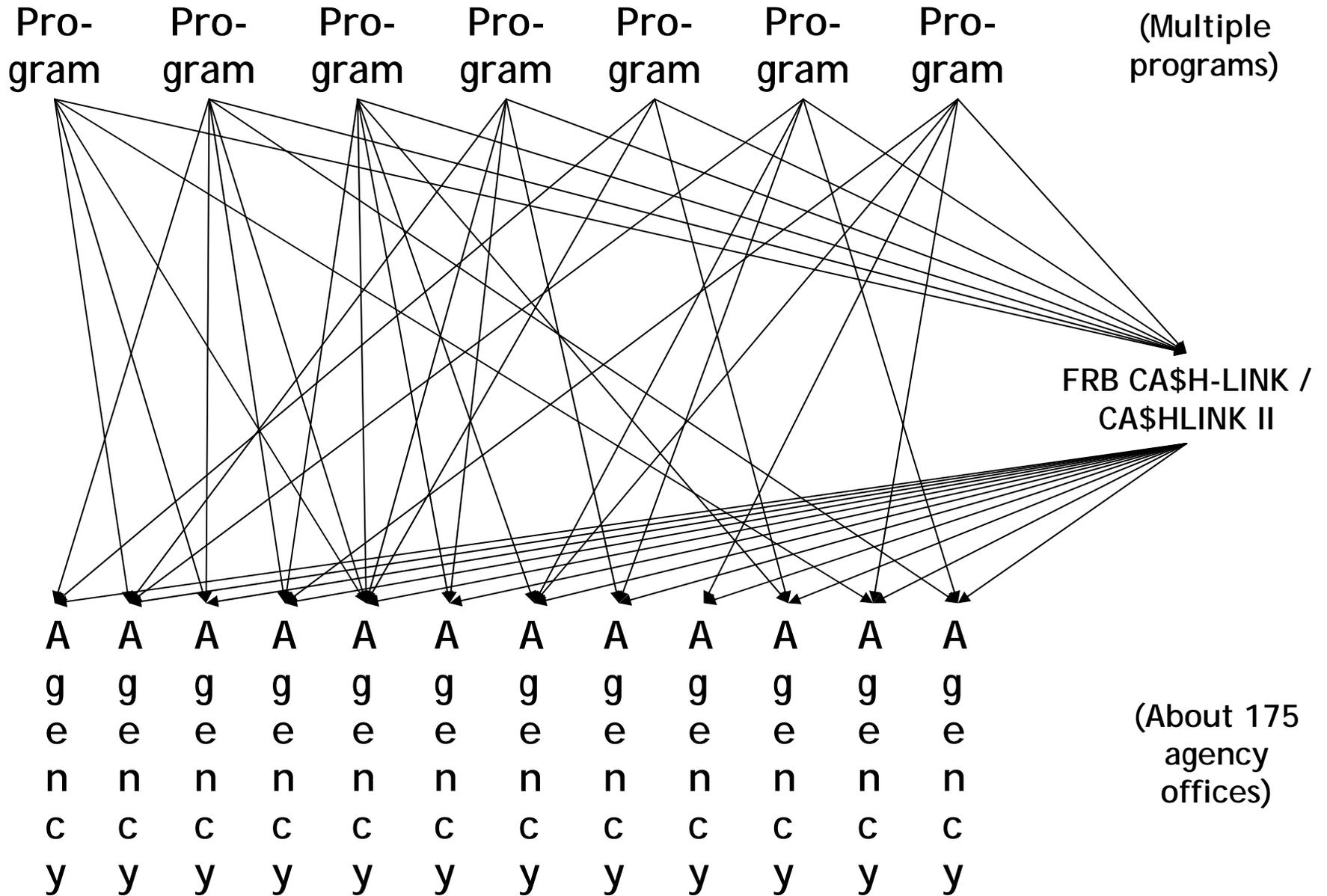
- Reporting is needed to provide information to agencies about collection transactions
 - Financial details & program details
 - (Individual) transactions & (summary) deposit reports
 - Data & archived images
- Previously, collections programs (and CA\$HLINK II) each provided their own reporting to agencies, along with serving other business lines
 - Much duplication of effort
 - Reconciliation headaches for agencies
 - No standardization of file formats

Transaction Reporting & Image Archiving

- The Transaction Reporting System (TRS) is a data warehouse for collections data
 - Image Archive will store images (accessible by TRS)
- Replaces point-to-point connections with hub-and-spoke model
 - Single touchpoint for agencies
- TRS is at the heart of the new architecture

Transaction Reporting & Image Archiving

- TRS will consolidate transaction details from the various channel systems
- TRS also will consolidate deposit reports currently provided by CA\$HLINK II
- Together, this means that agencies no longer will have to obtain collections data from multiple systems, then reconcile amounts deposit reports in CA\$HLINK II
 - Instead, this information will be consolidated and reconciled before going to agencies



Pro-gram Pro-gram Pro-gram Pro-gram Pro-gram Pro-gram Pro-gram

(Fewer programs than previously)

TRS

(Hub-and-spoke connections instead of point-to-point connections)

A A A A A A A A A A A A
g g g g g g g g g g g g
e e e e e e e e e e e e
n n n n n n n n n n n n
c c c c c c c c c c c c
y y y y y y y y y y y y

(About 175 agency offices)

Transaction Reporting & Image Archiving

- TRS also will include TAS/BETC details for transactions and forward this information to GWA
 - In so doing, TRS will facilitate a new, simplified GWA process
 - TRS will provide data on collection to GWA so that agencies no longer have to do so
 - In other words, TRS helps:
 - Eliminate the two-step classification process (statement of transactions and statement of differences) and use of GOALS II
 - Capture the Treasury Account Symbol (TAS) and Business Event Type Code (BETC), so that agencies no longer need to provide this information to FMS
 - Allow agencies to become GWA reporters
 - Allow agencies to use the Partial 224
 - Allow agencies to use the GWA Account Statement

Transaction Reporting & Image Archiving

- Use of published, open standard XML schema for reporting purposes
 - Move away from proprietary file formats
 - Avoid “lock-in” issues
- More information is available at:
fms.treas.gov/eda

Transaction Reporting & Image Archiving

- TRS conversion by agencies is essential
 - CA\$HLINK II is going away by end of 2012
 - Reporting by collections programs to agencies will not end in the near future, but it will go away eventually

Central Account Management

- Central account processing refers to the transfer of funds between the many banks that engage in transactions for Treasury and the central account that Treasury uses for its daily financing needs, the Treasury General Account (TGA) at the FRB NY
- Many accounts at banks that engage in transactions for Treasury
 - Demand deposit accounts at commercial banks
 - Control accounts at Federal Reserve Banks
- Two systems
 - Commercial banks—(PNC) CA\$HLINK II
 - Serves other business lines as well as central account management
 - Federal Reserve Banks—FRB CA\$H-LINK
- Shutting down these systems is a huge challenge
 - CA\$HLINK II—2012
 - Significant impact on agencies that do not convert to TRS and (if necessary) OTCnet on a timely basis
 - FRB CA\$H-LINK—2014 (remains TBD)

Central Account Management

- For funds settling at commercial banks, a new Treasury Cash Management System (TCMS) will replace the cash concentration functions of CA\$HLINK II
 - Use of the National Settlement Service (NSS) to move funds, instead of the combination of Fedwire and ACH debits used today
 - TCMS should have no impact on agencies

Central Account Management

- For funds settling at FRBs, funds will settle directly to the TGA
 - No FRB control accounts; instead, the TGA will be an FRB reserve account with its own routing & transit number (RTN) structure, much like commercial banks use
 - Elimination of FRB CA\$H-LINK
 - Earlier availability of funds
 - Earlier availability of settlement information to forecasting systems, using standard FRB reporting tools (AMI)
 - Should have no impact on agencies

Collateral & Bank Management

- Collateral management (to secure collections and investments) and bank management (compensating banks) is needed because of the use of depositaries and agents
- Collateral monitoring and management is part of the Treasury Investment Program and TT&L Plus (Agency Access)
 - 31 CFR 202 (Depositaries)
 - 31 CFR 203 (Investments)
 - 31 CFR 225 (Sureties)
- Bank management is part of CA\$HLINK II

Collateral & Bank Management

- These business lines are now served by dedicated programs
- A new Treasury Collateral Monitoring and Management (TCMM) system took over from TIP and TT&L Plus at the end of 2011
 - Agencies that use TT&L Plus / Agency Access were automatically upgraded to the new application
 - Agencies now have improved agency access to collateral information
- A new Bank Management Service took over from CA\$HLINK II at the end of 2011
 - Transition to the new system will be completed when CA\$HLINK II is shut down

Other Changes

- Update CFR, Treasury Financial Manual, and Federal Reserve Operating Circulars
 - Many changes are complete; many others are in the works
- Standardized electronic records retention policies
- Clarified policies on when agencies should be charged for services
- Continue to implement “holistic approach” for dealings with agencies

Extent of Changes

- 18 programs envisioned for the end-state, down from 35 at the beginning of CCMM (2006)
 - 10 existing programs will remain
 - 7 new programs have been implemented so far
 - 1 new program will be implemented
- 25 programs have been or will have been eliminated, compared with 11 programs eliminated between 1981-2005
 - 17 programs have been eliminated since 2006
 - 8 programs are planned for elimination through 2014
- “Programs” includes systems, services, and major components of systems and services

Extent of Changes

Remaining Systems

- EFTPS
- Pay.gov
- ECP

New Systems

- TRS (**now in production**)
- Debit Gateway (**now in production**)
- OTCnet (**now in production**)
- TCMM (**now in production**)
- TCMS (2012)

Expiring Systems

- Pay.gov VS (**done/transferred, 2008**)
- RRBLink (**done, 2008**)
- FEDTAX II (**done, 2009**)
- FDS (part of CA\$H-LINK II) (**done, 2010**)
- REX (part of CA\$H-LINK II) (**done, 2010**)
- FR-ETA (**done, 2010**)
- PATAX (**done, 2011**)
- TGAnet (**done, 2011**)
- Collections Engine (**done, 2011**)
- TT&L Plus (**done/transferred, 2011**)
- TIP (**done, 2012**)
- PCC OTC (2012)
- CA\$HLINK II (2012)
- FRB CA\$H-LINK (TBD)
- Pay.gov VA (TBD)



Extent of Changes

Remaining Services

New Services

Expiring Services

- GLN
- IRS Lockbox Network
- TGA Network
- IRS TGA Network
- ITGA Network
- SCCN
- Image Archive
(Though owned by another part of FMS)

- Card Acquiring Service (**in production, 2007**)
- Credit Gateway (**in production, 2010**)
- BMS (**in production, 2011**)

- EBS (**done, 2006**)
- FRB IRS TGA Network (**done, 2008**)
- PAD (**done, 2009**)
- PCN (**done, 2009**)
- TT&L Collector Depositories (**done, 2011**)
- TT&L Retainer Depositories (**done, 2012**)
- CCC Network (2012)
- FRB TGA Network (2013)
- Electronic Lockboxes (2013)
- EDI (2014)

Business Processes Changed or Eliminated

- Capturing TAS/BETC information at the time of transaction
- Developed new file format (standard XML) for transmitting information to agencies
- Developed new solution for restorations (previously in CA\$HLINK II)
- Eliminated non-value Fedwires in FR-ETA
- Eliminated FTD coupons
 - 15 years ago, these accounted for 70% of the Government's revenue
- Obtained agreement from FRB to have commercial bank-run applications on common hosting platform used by FRB-run applications

Upcoming Milestones (through December 2012)

- TBD: Turn off ability to perform voucher corrections for FRB collection related account types
- End of September: Connect OTCnet (check conversion) to TRS
- End of September: Turn off ability to schedule and receive Agency Fedwire Message summary and detail download files and REX ACH download files
- End of September: Payments data will no longer be sent to TRS/CLII, will only go to the PIR (this is not on the list, but is important to the agencies)
- End of October: Turn off ability to perform voucher corrections for remaining account types
- December: Convert agencies to OTCnet and TRS
- December: Deactivate PCC OTC
- End of December: Implement TCMS
- End of December: Deactivate CA\$HLINK II

What Comes Next

- The Financial Management Service consolidates with the Bureau of the Public Debt to become the Fiscal Service
 - Effective October 2012
- TRS becomes the Collections Information Repository (CIR)
 - Name change only
 - We want a consistent naming convention for our data repositories (CIR, PIR, FIR)

What Comes Next

- Continue implementing the remainder of the end-state architecture
 - Eliminate need for EDI, E-Lockboxes, PCC OTC, FRB CASH-LINK
- Rebid General Lockbox Network
- Transition agencies to receiving all collections downloads from TRS/CIR
- Finish updates to the Treasury Financial Manual (TFM)
- Improve the usability of new programs
- Implement new e-commerce solutions

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CCMM Web Site
www.fms.treas.gov/ccmm

Agency Customer Relationship Managers
www.fms.treas.gov/crm/contacts.html