

14th Annual
Financial Management Conference

EXPANSION OF EFT PAYMENTS

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Overview

- EFT Regulations
- EFT Statistics
- Automated Clearing House (ACH)
- Payment Advice Internet Delivery (PAID)
- International Direct Deposit (IDD)
- U.S. Debit Card
- Internet Payment Platform (IPP)
- Postage Payments
- EFT/EDI Workgroup

EFT – Regulations

Debt Collection Improvement Act (DCIA) of 1996

- Mandated EFT for all Federal payments made after January 1, 1999
- Exemption: IRS Tax Refund Payments
- All Federal agency payments disbursed by:
 - FMS/Treasury
 - Non-Treasury Disbursing Offices (NTDO)

EFT- Regulations (cont.)

31 CFR PART 208 - Management of Federal Agency Disbursements

- Governs EFT provisions of the DCIA
- Establishes waiver provisions
- Governs requirements for accounts to which Federal payments may be sent via EFT
- Establishes responsibilities of Federal agencies and recipients

Types of Payments

Tax Refunds 12% (109 M payments)

Salary 6% (57 M Payments)

Vendor & Miscellaneous 3%
(29 M Payments)

Benefits 79% (733 M Payments)

[929 Million Total Payments - \$1.7 Trillion]

FY 2003

EFT Payment Volumes

	2001	2002	2003*	2004 (through 6/04)**
Salary	98%	98%	98%	98%
Benefits	76%	77%	77%	79%
Vendor	59%	56%	50%	57%

* Total Non-Tax Payments FY 2003 - 78%

** Total Non-Tax Payments FY 2004 (through 6/04) - 79%

Regional Financial Centers (RFC)

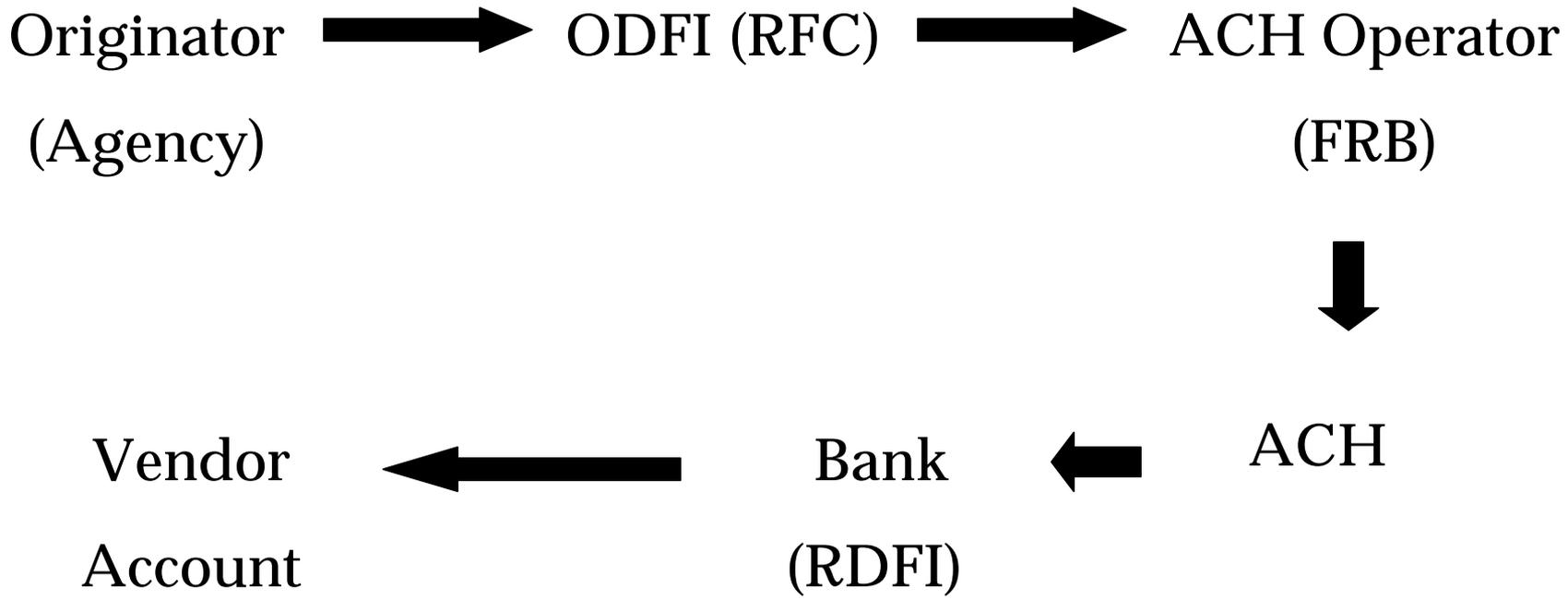
	RFC Symbol Number	Phone
Austin	220	512-342-7300
Philadelphia	303	215-516-8016
San Francisco	312	415-817-7300
Kansas City	310	816-414-2100
Birmingham (National Debt Center)	449	1-800-304-3107

Automated Clearing House (ACH) Network

ACH is a processing and delivery system that provides for the distribution and settlement of electronic credits and debits among financial institutions.

The Federal government is the largest single user of the ACH system

Treasury/FMS ACH Payment System



What is PAID?

(Payment Advice Internet Delivery)

- A system developed by FMS to provide participating Federal agencies a method of making remittance information available to their vendors via the Internet
- Effective July 12, 2004, PAID provides users with payment related information issued by Federal agencies in the ACH CCD+ and CTX formats

PAID

- Registration - complete a simple form and select one of the following delivery methods:
 - E-mail delivery
 - E-mail notification of information
 - Internet access

PAID (cont.)

- What data is in the PAID system?
 - Paying agency, date of payment, payment amount, invoice/purchase order number and interest penalty information
- Banking information such as routing/ account number is not a part of the system
- Cost to users: **FREE**
 - Registered vendors with Internet access, and participating Federal agencies

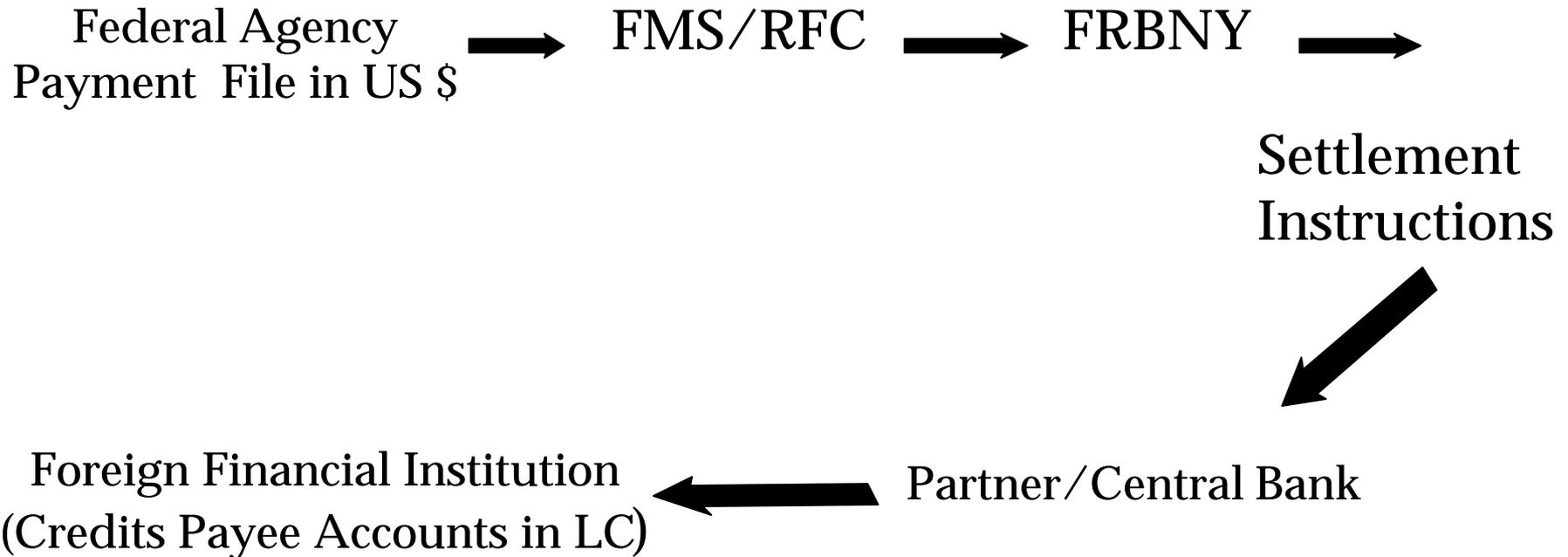
For Additional Information on PAID

- Contact the PAID Administrator at the Austin Financial Center – (512) 342-7222
- Visit the PAID Web site at:
<http://www.fms.treas.gov/paid/>

International Direct Deposit (IDD)

- Establishes EFT service to U.S. foreign-resident beneficiaries and vendors
- Enables Federal payments to go directly to the recipient's account in foreign countries
- Agencies currently using IDD include: SSA - benefits, OPM - Civil Service retirement, GSA - vendor payments and other Treasury-disbursed agencies - miscellaneous vendor payments
- Currently, payments valued at approximately \$1 billion are sent to more than 100 countries

International Direct Deposit (IDD)



IDD.gov

- Web-based front-end to the IDD application
- Government-wide enterprise architecture that provides:
 - a single portal for international transactions and economies of scale on pricing
- Implemented in May 2004

Web sites

www.fms.treas.gov/eft/regulations/international.html

www.fms.treas.gov/kfc/iddfact/html

For Additional Information on IDD

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U.S. Debit Card

- Delivers recurring or non-recurring payments to individuals or payee recipients, or to allow government employees access to cash in their official duties.
- Magnetic stripe card
 - Payroll card and gift card infrastructure
 - Not a credit, purchase, travel, or fleet card
- ATM debit (600,000 locations) or MasterCard Debit (anywhere MasterCard is accepted)

U.S. Debit Card (cont.)

- Distributed two ways: immediately or mailed
- 24 X 7 customer service
- Flexibility
 - Payroll
 - Missions
 - Emergencies (Forest Fires) to benefits (WIC)
 - Replace imprest funds and 3rd party drafts

U.S. Debit Card (cont.)

- Internet-based Card Management
 - Roles-based
 - Reporting: agency and cardholder
 - Personalizing the card
 - Activating the card
 - De-activating the card
 - Funding the card

U.S. Debit Card

Use of Card	Agency
International Visitors	Forest Service International Programs, Foreign Agriculture Service
Clandestine	DHS BCIS/ICE
Evacuations	Peace Corps, TSA
Incentives	Census, NIH's Nat'l Institute of Aging
Stipends	Peace Corps
Payroll	Forest Service - Job Corps Sites
Missions	DOD/SouthCom
Bonus	FMS, FCC
Replace Cash	DHS, ICE, ATF
Travel	Navy
Miscellaneous	Library of Congress

U.S. Debit Card Statistics

- 37,654 cards issued since October 2002
- In 2003, 13,300 transactions for \$2.8 million dollars.
- First part of FY 2004, 13,479 transactions for \$1.8 million dollars.
- Received award from DoD's Comptroller for innovative program at US Southern Command.
- Has been added into two agencies' manual of administration and solved one agency's audit finding in weak financial controls.

Internet Payment Platform (IPP)

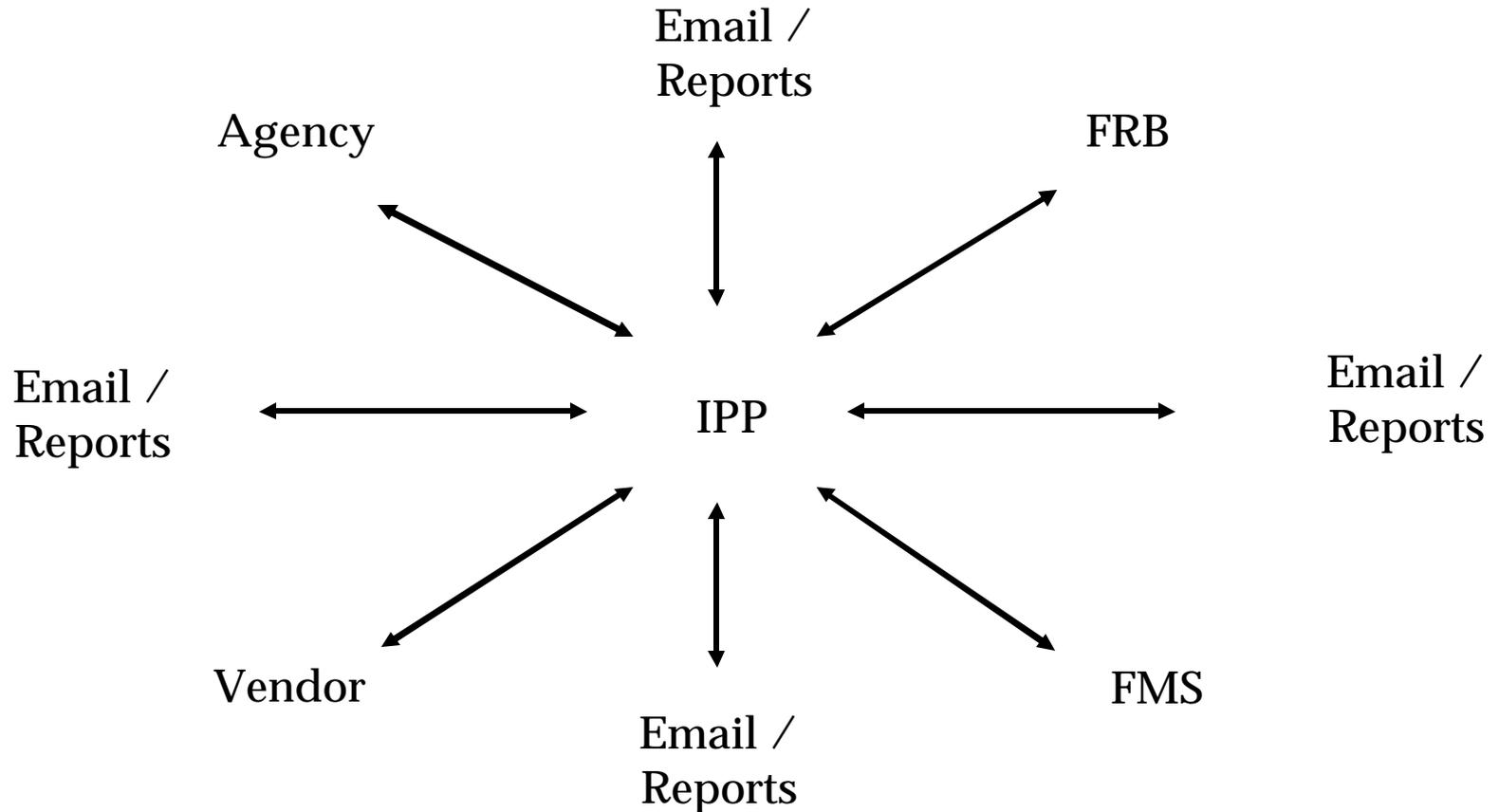
- Current Environment
 - Degradation of Data
 - Data is lost when passed from system to system
 - Paper, People, and Time-intensive Process
 - It can take agencies months to process a vendor payment
 - FMS and agencies receive many calls from payees asking for more payment related information (why paid, when they'll be paid, etc.)
 - Result: “Black Box”

Internet Payment Platform (IPP) (cont.)

- IPP Environment
 - Centralized payment portal integrating all participants in a payment
 - Data Appreciation vs. Degradation
 - Automation and streamlining of processes for all in the transaction

Result: Transparency to entire payment life cycle

IPP Architecture: Connect all participants



IPP Pilot Status

- Focused on vendor payments
 - Three agencies participated with 30 suppliers each
 - Pilot ended June 30, 2004
- Participants
 - Federal Reserve Bank of Boston: project management and settlement
 - FMS: Program Manager and Kansas City Financial Center as disburser
 - Xign: Technology provider/contractor
 - Pilot Agencies: Denali Commission (small size agency), Bureau of Engraving and Printing (medium size agency), and Department of Labor (large size agency)

IPP Pilot Status (cont.)

- Statistics
 - Over \$44 million processed in 18 months
 - Yielded estimated savings per transaction:
 - Bureau of Engraving and Printing - \$30.00
 - Denali Commission - \$50.00
 - U.S. Department of Labor - \$10.00

IPP Pilot Status (cont.)

- Feedback from existing agencies:
 - Focus is on achieving discounts, streamlining the back office, replacing the phone calls with self-service and online claims, and electronically route and approve documents across all field offices and back
 - All three agencies have decreased costs over 30%, shortened disbursement time frames, and streamlined systems during pilot

IPP Pilot Status (cont.)

- Demonstrated great promise as a transactional hub
 - Purchasing, invoicing, and payment processing in a centralized internet-enabled database
- Next Steps
 - Agencies are to contact us if interested in using IPP

For Additional Information on U.S. Debit Card and IPP

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Federal Agency Postage Payments to the United States Postal Service (USPS)

- Treasury/FMS established procedures to maximize funds held in the Treasury account and to eliminate the use of Treasury checks or cash for postage payments
- Drafted TFM Bulletin No. 2004 - 02 in October 2003

Postage Payment Mechanisms

- Intra-governmental Payment & Collection System (IPAC)
- Automated Clearing House (ACH) Credits

Payments at Remote Post Office Sites, via Internet, and Purchases Under \$1000

- Authorized Federally issued credit and (PIN – based) debit cards
- Convenience Checks (under limited circumstances)
- Internet Purchases (credit cards or offline debit cards)

IPAC Procedures for USPS Payments

- Agencies must provide USPS with an estimate of the expected postage costs under OMAS by month or a single amount for the entire fiscal year by Sept 15th of each year
- USPS will collect the monthly budget amount or one-twelfth (1/12) of the annual amount via IPAC each month

Procedures for ACH Credit Payments

- Must use correct payment formats
- Payment instructions and formats
 - <http://fms.treas.gov/eft/regulations/achpostagepayments.html>
 - <http://fms.treas.gov/bulktransfers/index.html>
- Schedule test with servicing center

Electronic Funds Transfer/Electronic Data Interchange (EFT/EDI)

- A partnership workgroup between FMS and HHS' Office of Child Support Enforcement (OCSE)

Regulation: Public Law 106-433

Bulletin No. 2003-03 - Removal of Personal Identification Numbers (PINs) from the U.S. Department of the Treasury (Treasury) checks

- Treasury will no longer print Social Security Numbers (SSNs) or PINs
 - January 1, 2004 - First deadline date
 - December 31, 2004 – Date waiver granted to a few agencies
- Why the change?
 - Privacy and identity theft concerns

EFT/EDI Workgroup

- Convened in January 2003 to address issues surrounding removal of SSN from Treasury checks and to advance the use of electronic funds transfer for payments
- Concentration: Garnished payroll and benefit disbursements that Treasury/FMS disburses on behalf of the agencies:
 - Child support payments
 - Student loan payments
 - Federal and state tax levies

Federal Agency Conversion Status*

- Over 410,000 child support orders administered by the Federal government
 - 69% of child support (283,639) orders will be converted to EFT/EDI by December 31, 2004
 - 31% of child support (127,203) orders have yet to be converted

* Source Health and Human Services, OCSE (2003 data)

Major Payroll and Benefit Agencies Awaiting EFT/EDI Conversion

- Social Security Administration Title II (benefits)
- Office of Personnel Management (retirees)
- Railroad Retirement Board (benefits)
- Department of Veterans Affairs (benefits)

Next Steps

- Schedule follow-up meetings with the Department of Education
 - Garnished student loan payments
- Follow-up meetings with specific Federal program agencies on:
 - Garnished Federal tax levies
 - Garnished state tax levies

For Additional Information on the EFT/EDI Workgroup

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