

# Financial Management Service

## Mission Statement

To provide central payment services to Federal Program Agencies (FPAs), operate the federal government's collections and deposit systems, provide government-wide accounting and reporting services, and manage the collection of delinquent debt.

## Program Summary by Appropriations Account

Dollars in Thousands

Appropriation	FY 2006	FY 2007	FY 2007	FY 2008		
	Enacted	President's Budget	CR-rate	Request	\$ from CR-rate	% from CR-rate
Salaries and Expenses						
Payments	\$144,135	\$147,358	\$147,130	\$146,465	(\$665)	-0.45%
Collections	16,931	17,396	17,367	19,869	2,502	14.41%
Debt Collection	10,162	5,250	5,250	0	(5,250)	-100.00%
Government-wide Accounting and Reporting	62,653	63,650	63,545	68,857	5,312	8.36%
<b>Total Appropriated Resources</b>	<b>\$233,881</b>	<b>\$233,654</b>	<b>\$233,292</b>	<b>\$235,191</b>	<b>\$1,899</b>	<b>0.81%</b>

## FY 2008 Priorities

- Provide federal payments timely and accurately and continue to move toward an all-electronic Treasury for payments.
- Provide timely collection of federal government receipts, at the lowest cost, and continue to move toward an all-electronic Treasury.
- Maximize collection of government delinquent debt by providing efficient and effective centralized debt collection services.
- Issue accurate, accessible, and timely financial reports and improve the compilation process and audit opinion on the *Financial Report of the U.S. Government*.

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## **Section 1 – Purpose**

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### **1A – Description of Bureau Vision and Priorities**

The Financial Management Service (FMS) plays a key role in supporting the Department of the Treasury's strategic goal of managing the United States Government's finances effectively by operating as the financial manager and principal fiscal agent for the federal government. This role includes managing the nation's finances by collecting money due to the United States, making its payments and performing central accounting functions.

As the government's financial manager, FMS oversees a daily cash flow in excess of \$50 billion, disbursing 85 percent of the federal government's payments, including income tax refunds, Social Security benefits, veterans' benefits and other federal payments to individuals and businesses. FMS also administers the world's largest collection system, collecting approximately \$2.9 trillion in FY 2006. It also provides cash management guidance to Federal Program Agencies (FPAs), maintains the government's accounting books and compiles and publishes government-wide financial information used to monitor the government's financial status. Finally, it serves as the government's central debt collection agency for delinquent non-tax debt.

The Strategic Goals of FMS are:

- Provide federal payments timely and accurately, and move toward an all-electronic Treasury for payments.
- Provide timely collection of federal government receipts, at the lowest cost, through an all-electronic Treasury.
- Maximize collection of government delinquent debt by providing efficient and effective centralized debt collection services.
- Produce accurate, accessible, and timely government-wide financial information and reports which contribute to improved quality of the nation's financial decision making.
- Facilitate the achievement of a clean audit opinion on the *Financial Report of the U.S. Government* through FMS' internal operations and support to government agencies.
- Establish policies and processes to facilitate the integration of e-commerce technologies into FMS' business programs and infrastructure.

The total resources required to support FMS activities for FY 2008 are \$450,370,000 including \$235,191,000 from direct appropriations and \$215,179,000 from offsetting collections and reimbursable agreements.

## **1B – Program History and Future Outlook**

FMS provides critical services to millions of United States taxpayers and other customers. It embodies Treasury's leadership strategy to create value for the American people, provide responsible and effective stewardship over the government's finances, and focus on quality service results and innovation. History and future outlook by program are as follows:

### **Payments**

The Payments program develops and implements federal payment policy and procedures, issues and distributes payments, promotes the use of electronics in the payment process, and assists agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). This includes controlling and providing financial integrity to the payments process through reconciliation, accounting, and claims activities. In FY 2006, FMS issued over 964 million non-Defense payments worth \$1.5 trillion to a wide variety of recipients, such as those who receive Social Security benefits, IRS tax refunds and veteran's benefits. Seventy-seven percent of all payments disbursed were via direct deposit.

Streamlining the payments processes while continually investing in state-of-the-art technology is integral in processing payments accurately, timely, and more safely and securely for the taxpayer. In FY 2008, FMS will continue to expand the use of electronic media to deliver federal payments. This helps provide a safer, more secure and more reliable method of payment for recipients, and decreases the number of paper checks issued, which minimizes costs and inefficiencies associated with the non-electronic delivery of benefits.

### **Collections**

The Collections program collects revenues needed to operate the federal government through the effective management of the government's collections infrastructure. In FY 2006, FMS collected approximately \$2.9 trillion through a network of more than 9,000 financial institutions and 79 percent of the dollars FMS collected was done so electronically. Dollar revenue collected in FY 2006 exceeded those collected in FY 2005 by 10 percent. The most important program that supports electronic collections is the Electronic Federal Tax Payment System (EFTPS). EFTPS is a tax payment system that offers all businesses and individuals the convenience of making their federal tax payments electronically 24 hours a day, 7 days a week, instead of using checks. In FY 2006, taxpayers paid \$1.9 trillion using EFTPS, up 16 percent from FY 2005, and the number of payments to the government rose 11 percent to 80.4 million.

In FY 2008, FMS will continue to provide electronic collection mechanisms that use the most advanced and secure collection technologies and are flexible enough to accommodate the varying needs and technical sophistication of all taxpayers and FPAs. FMS will direct its EFTPS efforts to financial institutions that process paper tax coupons as well as the tax practitioner community and small businesses to further expand the use of EFTPS. FMS will also assist agencies in converting collections from paper to

electronic media by converting checks to electronic payments at the point of receipt and truncating paper remittances and invoices by imaging those documents. Security oversight efforts will increase at financial agent processing facilities and banking institutions as a way to proactively identify security control weaknesses and to detect and deter fraud, waste, theft and unauthorized access associated with the collection of government remittances and protection of sensitive information.

### **Debt Collection**

The Debt Collection program recovers delinquent government and child support debt by providing centralized debt collection, oversight, and operational services to FPAs and states as required by the Debt Collection Improvement Act of 1996 (DCIA) and related legislation.

In FY 2006, FMS collected a record \$3.34 billion in delinquent debt, including \$1.59 billion in past due child support, \$1.23 billion in federal non-tax debt, and more than \$520 million in federal tax levies and state tax debt offsets. Debt referrals from creditor agencies were at 95 percent of eligible debt at the end of FY 2006. As a result of continued improvements to the program, collections have steadily increased to more than \$27.7 billion since the enactment of the DCIA in 1996. In calendar year 2006, IRS referred an additional \$47 billion of tax debts for continuous levy, a 25 percent increase from calendar year 2005.

In FY 2008, FMS will continue to focus on incorporating all non-Treasury disbursed salary and vendor payments into FMS' offset program for collecting delinquent debt. By FY 2008, Integrated FedDebt will combine the Cross-Servicing program and the Treasury Offset Program (TOP) into one system. This will reduce redundancies, improve data integrity, and provide direct on-line access to agencies. FMS will also continue to roll out Debt Check, FMS' on-line program used to help agencies bar delinquent debtors from obtaining new loans or loan guarantees.

### **Government-wide Accounting and Reporting**

The Government-wide Accounting and Reporting program maintains the federal government's books and accounts for its monetary assets and liabilities by operating and overseeing the government's central accounting and reporting system. For the third consecutive year, FMS released the *Financial Report of the United States Government* (FR) 75 days after the fiscal year-end. The FR presents a picture of government-wide finances that complements the traditional federal government budget information. It is invaluable when assessing the long-term impact of the government's policy decisions and the timely availability of this additional information is critical to a fully informed budget process. To complement and support the accelerated release of the FR, Treasury continues to release the *Monthly Treasury Statement* (the monthly public source of budgetary results) on the eighth workday of each month. With this release schedule, agency financial managers are better able to verify and use the data in their own reports.

In FY 2008, FMS will continue to revamp government-wide accounting processes to provide more useful and reliable financial information on a regular basis. FMS is

building and implementing a system that replaces existing government-wide accounting functions and processes that vastly improves the exchange of financial information among FMS, Federal Program Agencies, OMB and the banking community. This project will improve the reliability, usefulness, and timeliness of the government's financial information, provide agencies and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies, resulting in significant government-wide savings. As part of the system redesign, FMS provides agencies with a web-based account statement resembling a bank statement, which contains summarized Treasury fund account balance activity. Once fully implemented, agencies will have daily direct access through a web-based system to the data supporting the items on the account statement for reconciliation and fund reclassification, rather than having to use multiple systems. Fund balance information will be available to agencies on a near real-time (one-day lag) basis. This will move the government one step closer to achieving its objective of producing financial information on a regular, recurring basis more quickly and reliably.

## Section 2 – Budget Adjustments and Appropriation Language

### 2.1 – Budget Adjustments Table

Dollars in Thousands

Appropriation: Salaries and Expenses	FTE	Amount
<b>FY 2006 Appropriation (P.L. 109-115)</b>	<b>1818</b>	<b>\$236,243</b>
Rescission (P.L. 109-148)	0	\$(2,362)
<b>FY 2006 Enacted</b>	<b>1818</b>	<b>\$233,881</b>
<b>FY 2007 President's Budget</b>	<b>1,761</b>	<b>\$233,654</b>
CR-rate Adjustment		(362)
<b>FY 2007 CR-rate</b>	<b>1,761</b>	<b>\$233,292</b>
<b>Changes to Base:</b>		
<b>Technical Adjustment to FY 2007 Base due to CR:</b>		
Base Adjustment		(2,043)
<b>Maintaining Current Levels (MCLs):</b>		
Non-Pay Inflation Adjustment		2,079
Pay Annualization		778
Pay Inflation Adjustment		4,829
<b>Non-Recurring Costs:</b>		
Accounting Architecture		(424)
Workstation Replacement		(800)
<b>Total FY 2008 Base</b>	<b>1,761</b>	<b>\$237,711</b>
<b>Program Decreases:</b>		
Claims Contract Support		(210)
Debt Fee Revenue	(56)	(5,250)
Government Financial Reporting System (GFRS)		(533)
Government-wide Accounting and Reporting		(400)
Payments Capital Investments (PCI)		(920)
Realignment to Enhance Collections/Government-wide Accounting and Reporting	(61)	(4,700)
<b>Program Reinvestment:</b>		
Realignment/Restructuring Study		2,000
Capital Assets Refresh		1,400
Enhancements to Collections/Government-wide Accounting and Reporting	48	3,700
Financial Information Reporting Standardization (FIRST)		2,393
<b>Subtotal FY 2008 Program Changes</b>	<b>(69)</b>	<b>(2,520)</b>
<b>Total FY 2008 Request</b>	<b>1,692</b>	<b>\$235,191</b>

### 2A – Budget Increases and Decreases Description

**Adjustments .....-\$362,000 / +0 FTE**

*CR-rate Adjustment* -\$362,000 / +0 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

**Technical Adjustment to FY 2007 Base due to CR .....-\$2,043,000 / +0 FTE**

*Base Adjustment* -\$2,043,000 / +0 FTE Technical adjustment to FY 2007 base due to CR

**Maintaining Current Levels (MCLs) .....+\$7,686,000 / +0 FTE**

*Non-Pay Inflation Adjustment* +\$2,079,000 / +0 FTE Funds are requested for other non-labor related items such as contracts, travel, supplies, equipment and GSA rent.

Pay Annualization +\$778,000 / +0 FTE Funds are requested for the FY 2008 cost of the January 2007 pay raise.

Pay Inflation Adjustment +\$4,829,000 / +0 FTE Funds are requested for the FY 2008 pay raise.

**Non-Recurring Costs .....-\$1,224,000 / +0 FTE**  
Accounting Architecture -\$424,000 / +0 FTE Funding has been identified in Government-wide Accounting and Reporting from prior year Accounting Architecture initiatives.

Workstation Replacement -\$800,000 / +0 FTE A portion of prior year funds from Workstation Replacement initiatives.

**Program Decreases .....-\$12,013,000 / -117 FTE**  
Claims Contract Support -\$210,000 / +0 FTE Funding from improvements in the payments claims activity, can be redirected to the Financial Information Reporting Standardization (FIRST) initiative.

Debt Fee Revenue -\$5,250,000 / -56 FTE As a result of projected increased debt revenues, FMS is able to redirect the remaining funds allocated to the debt collection activity without adversely impacting the program.

Government Financial Reporting System (GFRS) -\$533,000 / +0 FTE Funding identified in GFRS will be redirected to FIRST initiative.

Government-wide Accounting and Reporting -\$400,000 / +0 FTE As a result of efficiencies gained through modernization and a decreased requirement for contractor support for legacy applications, program funds in Government-wide Accounting and Reporting can be redirected.

Payments Capital Investments (PCI) -\$920,000 / +0 FTE Funding in the PCI project will be redirected.

Realignment to Enhance Collections/Government-wide Accounting and Reporting - \$4,700,000 / -61 FTE Due to continued modernization of the Payments function by FMS there has been a major shift from routine transaction processing to highly complex analytical reviews of data and information relating to trend analysis, comparative analysis, error resolution and customer relationship management. Associated dollars and FTE from Payments can be realigned to Collections and Government-wide Accounting and Reporting which will more accurately reflect program requirements.



**Program Reinvestment .....+\$9,493,000 / +48 FTE**  
Realignment/Restructuring Study +\$2,000,000 / +0 FTE As part of its strategic planning process and to ensure continued success in meeting key mission performance measures, FMS senior leadership identified challenges and proposed to find solutions through a dynamic and continuous review of operations. All aspects of the organization have been scrutinized including successes, funding constraints, management, data operations, work flow processes, personnel, skill sets and peripheral issues such as physical site locations.

Funding is requested to examine the functional distribution of key operations and physical location of employees, capital assets and other property. FMS will relocate and transfer the Hyattsville Regional Operation Center data center functions to the Kansas City Regional Operations Center (KROC). The primary benefit is improved safety of FMS employees, garnered by separating primary data center and platforms from operational activities at the Prince George’s Metro Complex to a more secure location. Improved national security, continuity of operations and disaster recovery will be possible by reestablishing critical applications, some which are part of the National Critical Infrastructure. The transfer of functions and capital assets to KROC will allow FMS to avoid significant salary and benefit costs through a reduction in FTE in FY 2010, and reduced contractor and electrical costs.

KROC is a logical and intelligent choice as a primary computer operations center. It currently runs several applications on a production basis while serving as the primary FMS back-up site. FMS examined how it conducts business, including where the work is best done, opportunities to consolidate like functions, and how to perform the work better. This initiative is fully funded with redirects from Debt Fee Revenue.

Capital Assets Refresh +\$1,400,000 / +0 FTE FMS needs to “refresh” its capital assets to maintain a healthy and viable enterprise information technology infrastructure. These assets host system applications that support the National Critical Financial Infrastructure and support FMS' mission. Therefore, FMS must ensure that its systems, assets and software are reliable as they are used to issue close to a billion payments a year valued at \$1.5 trillion and to collect information to calculate the daily cash position and the cash forecasting needs of the United States Treasury. Properly maintaining the existing information technology infrastructure allows FMS the flexibility to create systems such as the Payment Application Modernization (PAM) and Financial Information Reporting Standardization (FIRST), which will have the ability to provide for government-wide savings. FMS will have efficiencies as fewer but more powerful hardware replaces existing hardware as part of the relocation of the FMS data center to Kansas City Regional Operations Center (KROC). FMS, using the Strategic Asset Management Model, has identified the level at which its assets should be maintained in order to be effective. Funds will be used to upgrade equipment for the FMS data center relocation to KROC. FMS will continuously analyze its current capital assets and non-capital inventory to determine required investment needed to ensure a strong, dependable enterprise infrastructure. FMS’ IT capital assets and non-capital inventory will be maintained in excellent condition, providing a reliable and stable enterprise for FMS and its customers. This initiative is fully funded with redirects from Debt Fee Revenue.

Enhancements to Collections/Government-wide Accounting and Reporting +\$3,700,000 / +48 FTE FMS' continued modernization of the payments function has resulted in a major shift from routine transaction processing to highly complex analytical reviews of data and information relating to trend analysis, comparative analysis, error resolution and customer relationship management. Associated dollars and FTE from Payments can be realigned to Collections and Government-wide Accounting and Reporting which will more accurately reflect program requirements.

Financial Information Reporting Standardization (FIRST) +\$2,393,000 / +0 FTE FIRST integrates budget and financial reports from Federal Program Agencies. It will improve the integrity of information by validating data and balances against FMS' central accounting system. This investment will move FMS closer to achieving its strategic goal of producing accurate, accessible and timely government-wide financial information and reports that contribute to improved quality of the nation's financial decision making. FIRST will accomplish this by:

- Making the United States Standard General Ledger accessible to a wider audience and easier to use through an interactive database on the Internet.
- Combining five current FMS stovepipe accounting data collection systems into one quarterly submission.
- Improving the accuracy, consistency and timeliness of agency reporting by validating the agency data and balances against authoritative balances in FMS' central accounting system.

Consistent reporting is required for central managers to make good decisions and crucial to attaining FMS' strategic goal of facilitating the achievement of a clean audit opinion on the Financial Report of the United States Government (FR).

The government-wide savings expected when the project is fully completed in FY 2011 is conservatively estimated by FMS at \$31 million annually. If FMS does not build FIRST, the five current reporting systems will need upgrading to comply with FMS' enterprise architecture, at significant cost without improving functionality.

Funds for FIRST will be redirected from the following: \$533,000 from Government Financial Reporting System (GFRS), \$1,650,000 from Debt Fee Collection Revenue, and \$210,000 from Claims Contract Support.

## 2.2 – Operating Levels Table

Dollars in Thousands

Appropriation Title: FMS Salaries & Expenses	FY 2007		FY 2007 CR-rate	Proposed Reprogra mmings	FY 2007	FY 2008
	FY 2006 Enacted	President's Budget			CR-rate Adjustment	Operating Level
<b>FTE</b>	<b>1,818</b>	<b>1,818</b>			<b>1,818</b>	<b>1,692</b>
<b>Object Classification:</b>						
11.1 Full-Time Permanent Positions.....	\$117,054	\$117,054			\$117,054	\$118,955
11.1 Other than Full-Time Permanent Positions....	1,500	1,500			1,500	1,500
11.5 Other Personnel Compensation.....	2,500	2,500			2,500	3,000
11.8 Special Personal Services Payments.....	0	0			0	0
<b>11.9 Personnel Compensation (Total).....</b>	<b>121,054</b>	<b>121,054</b>			<b>\$0</b>	<b>\$121,054</b>
12.0 Personnel Benefits.....	25,950	26,000			26,000	26,200
13.0 Benefits to Former Personnel.....	175	175			175	175
21.0 Travel.....	1,553	1,553			1,553	1,603
22.0 Transportation of Things.....	195	195			195	195
23.1 Rental Payments to GSA.....	14,950	14,900			14,900	13,500
23.2 Rent Payments to Others.....	365	365			365	365
23.3 Communications, Utilities, & Misc.....	12,658	12,858			12,858	12,569
24.0 Printing and Reproduction.....	700	700			700	500
25.1 Advisory & Assistance Services.....	4,750	4,750			4,750	4,800
25.2 Other Services.....	22,157	22,443	(362)		22,081	22,081
25.3 Purchase of Goods/Serv. from Govt. Accts..	6,000	6,000			6,000	7,037
25.4 Operation & Maintenance of Facilities.....	950	1,000			1,000	1,000
25.5 Research & Development Contracts.....	0	0			0	0
25.6 Medical Care.....	0	0			0	0
25.7 Operation & Maintenance of Equipment.....	7,500	7,500			7,500	7,500
25.8 Subsistence & Support of Persons.....	0	0			0	0
26.0 Supplies and Materials.....	4,250	4,250			4,250	4,300
31.0 Equipment.....	10,149	9,386			9,386	9,386
32.0 Lands and Structures.....	475	475			475	475
33.0 Investments & Loans.....	0	0			0	0
41.0 Grants, Subsidies.....	0	0			0	0
42.0 Insurance Claims & Indemn.....	50	50			50	50
43.0 Interest and Dividends.....	0	0			0	0
44.0 Refunds.....	0	0			0	0
<b>Total Budget Authority.....</b>	<b>\$233,881</b>	<b>\$233,654</b>	<b>(\$362)</b>	<b>\$233,292</b>	<b>\$0</b>	<b>\$233,292</b>
<b>Budget Activities:</b>						
Payments.....	\$144,135	\$147,358			\$147,130	\$146,465
Collections.....	16,931	17,396			17,367	19,869
Debt Collection.....	10,162	5,250			5,250	0
Government-wide Accounting and Reporting.....	62,653	63,650			63,545	68,857
<b>Total Budget Authority.....</b>	<b>\$233,881</b>	<b>\$233,654</b>	<b>(\$362)</b>	<b>\$233,292</b>	<b>\$0</b>	<b>\$233,292</b>

**2B – Appropriation Language**

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY FINANCIAL MANAGEMENT SERVICE</p> <p style="text-align: center;">Federal Funds</p> <p><b>Salaries and Expenses</b></p> <p><i>For necessary expenses of the Financial Management Service, \$235,191,000, of which not to exceed \$9,220,000 shall remain available until September 30, 2010, for information systems modernization initiatives; and of which not to exceed \$2,500 shall be available for official reception and representation expenses.</i></p>	

**2B – Permanent, Indefinite Appropriations**

Federal Reserve Bank Permanent, Indefinite Appropriation

The Federal Reserve Banks (FRBs) act as fiscal agents of the United States when directed by the Secretary of the Treasury in accordance with 12 United States Code (U.S.C.) 391. The FRBs support the fiscal operations and provide banking and financial services on behalf of the Treasury of the United States. The Federal Reserve Reimbursement and Fiscal Responsibility Act of 1997 amended section 3302 (f) of title 31, U.S.C. and provided a permanent and indefinite appropriation of amounts necessary to pay the FRBs for the services they provide as fiscal agents on behalf of the Treasury. Since the FRBs support each FMS program activity, the performance measures listed in the Salaries and Expense section of this budget apply to the work done by the FRBs. FMS estimates that the cost of FRB services for FY 2008 will be approximately \$295 million.

Financial Agent Services Permanent, Indefinite Appropriation

Congress has given the Secretary of the Treasury longstanding, broad discretion to deposit money in financial institutions and to obtain banking services by designating financial institutions to act/serve as Financial Agents of the United States Government. The services are in support of such programs as EFTPS, the Lockbox Networks, plastic cards, e-commerce systems, and CASHLINKII, a deposit reporting and cash concentration system. These and other programs are vital to FMS' Strategic Goals, the

government’s financial critical infrastructure, and the President’s emphasis on expanding E-Government. The services provided by such financial institutions are authorized under numerous statutes including, but not limited to, 12.U.S.C. 90 and 265.

In FY 2004, Treasury received a permanent indefinite appropriation to pay for these services. FMS estimates that the cost of Financial Agent services for FY 2008 will be approximately \$426 million. Of this amount, agencies provide approximately \$40 million in reimbursements to FMS, which is deposited into the General Fund.

**2.3 – Permanent, Indefinite Appropriations Table**

Table 2.3  
 Permanent, Indefinite Appropriations  
 (Dollars in Thousands)

Permanent, Indefinite Appropriation	FY 2006 Enacted	FY 2007 CR-rate	FY 2008 Request
Federal Reserve Bank	\$220,000	\$245,000	\$295,000
Financial Agent Services	\$322,000	\$311,000	\$426,000

**2C – Legislative Proposals**

**Payment Transaction Integrity - - Allow the federal government to trace and recover federal payments sent electronically to the wrong account.** The proposal, which amends 12 U.S.C. 3413, revises an existing exception to the Right to Financial Privacy Act so that improper electronic payments and improperly negotiated Treasury checks can be traced and recovered. This revision will also permit the federal government to verify that the correct party is making electronic payments to or receiving electronic payments from the government.

*Estimated collections: \$273 million the first year, \$3.105 billion over ten years.*

**Eliminate the Ten-Year Limitations Period on Offset --** This proposal would eliminate the ten-year limitation on the collection of delinquent non-tax federal debts by administrative offset. Delinquent debts could be collected by offset without regard to any statutory, regulatory or administrative limitation on the period within which debts may be collected. The proposed change would allow for the collection by offset of other federal debts consistent with the current law for student loans.

*Estimated collections: \$11 million the first year, \$65 million over ten years.*

**Assessment of the Transaction Costs for the Referral of Tax Debts from the IRS to the Financial Management Service for Debt Collection Levy** -- Under current law, when the Internal Revenue Service (IRS) levies a federal payment to collect a delinquent tax debt under the Federal Payment Levy Program operated by the FMS, the IRS pays a fee out of its annual appropriation to FMS to process the transaction. The budget proposes to instead have the debtor pay the transaction costs in addition to their original debt. This would allow the IRS to fully utilize the levy program, maximize revenue, and shift the cost of enforcement to delinquent tax debtors.

*Estimated collections: This proposal is budget neutral over ten years as the increased collections from the public (i.e., the debtors) offsets the increased direct spending for FMS for the administration of the debt collection program.*

## Section 3 – Budget and Performance Plan

### 3.1 – Appropriation Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2006 Enacted		FY 2006 Obligations		FY 2007 President's Budget		FY 2007 CR-rate		FY 2008 Request		% Change FY 2007 to FY 2008	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources:</b>												
Payments	1,173	\$144,135	1,016	\$142,979	1,173	\$147,358	1,173	\$147,130	1,112	\$146,465	-5.20%	-0.45%
Collections	113	16,931	136	18,291	113	17,396	113	\$17,367	137	19,869	21.24%	14.41%
Debt Collection	113	10,162	47	5,393	113	5,250	56	5,250	0	0	-100.00%	-100.00%
Gov. Accounting and Reporting	419	62,653	405	67,338	419	63,650	419	63,545	443	68,857	5.73%	8.36%
<b>Subtotal New Appropriated Resources</b>	<b>1,818</b>	<b>\$233,881</b>	<b>1,604</b>	<b>\$234,001</b>	<b>1,818</b>	<b>\$233,654</b>	<b>1,761</b>	<b>\$233,292</b>	<b>1,692</b>	<b>\$235,191</b>	<b>-3.92%</b>	<b>0.81%</b>
<b>Other Resources:</b>												
Recoveries												
Offsetting Collections - Reimbursable Available multi-year/no-year funds	320	\$167,770	373	\$183,363	320	\$196,282	370	\$196,282	428	\$215,179	15.68%	9.63%
Transfers In/Out												
<b>Subtotal Other Resources</b>	<b>320</b>	<b>\$167,770</b>	<b>373</b>	<b>\$183,363</b>	<b>320</b>	<b>\$196,282</b>	<b>370</b>	<b>\$196,282</b>	<b>428</b>	<b>\$215,179</b>	<b>15.68%</b>	<b>9.63%</b>
<b>Total Resources Available for Obligation</b>	<b>2,138</b>	<b>\$401,651</b>	<b>1,977</b>	<b>\$417,364</b>	<b>2,138</b>	<b>\$429,936</b>	<b>2,131</b>	<b>\$429,574</b>	<b>2,120</b>	<b>\$450,370</b>	<b>-0.52%</b>	<b>4.84%</b>

**3A – Payments** (\$146,465,000 from direct appropriations and \$137,849,000 from reimbursable programs): The Payments activity issues and distributes payments, develops and implements federal payment policy and procedures, promotes the use of electronics in the payment process, and assists agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). This activity controls and provides financial integrity to the payments process through reconciliation, accounting and claims activities. The claims activity settles claims against the United States resulting from federal government checks which have been forged, lost, stolen or destroyed, and collects monies from those parties liable for fraudulent or otherwise improper negotiation of government checks. It also includes processing claims and reclamations for EFT payments. In FY 2006, FMS issued over 964 million non-Defense payments, with a dollar value of approximately \$1.5 trillion and 77 percent of these transactions were issued by EFT, an increase of one percent over FY 2005.

FMS continues to expand and market the use of electronic media to deliver federal payments, improve service to payment recipients, and reduce government program costs. This helps decrease the number of paper checks issued and minimize costs associated

with postage, the re-issuance of lost, stolen and misplaced checks, and inefficiencies associated with the non-electronic delivery of benefits.

Direct deposit offers payment recipients ease and convenience, and protects against fraud and identity theft. Direct deposit also generates significant cost savings to the government over paper checks. Each payment converted from paper to direct deposit saves the taxpayer about 80 cents per transaction. However, FMS faces challenges in increasing growth in electronic payments. The direct deposit growth rate for federal benefit payments has leveled off from increases in the late 1990s. As the government prepares for the huge increase in retiring baby boomers in the near future, it is critical that FMS reverse this trend. To increase the use of direct deposit for federal benefit payments, FMS began a nationwide campaign called "Go Direct" to encourage current check recipients to switch to direct deposit. The goal for the first year of the campaign was to convert approximately half a million check recipients to direct deposit, and the campaign, in fact, exceeded that goal, savings millions of dollars for the United States Treasury in the years to come. In addition, FMS is implementing a pilot program in FY 2007, which is directed at the un-banked, to disburse benefit payments through debit cards. FMS is also developing plans (entitled Universal Direct Deposit) which will require at some future date all newly enrolled beneficiaries to receive payments electronically unless they do not have a bank account.

In support of its payments function, FMS has also undertaken considerable efforts to modernize its payment systems, incorporating new technologies and the internet. Some programs that will continue to be in focus are:

- Stored Value Card (SVC): This is a smartcard, similar to a credit/debit card, using an encrypted computer chip to process "electronic money" stored on the card. This program is aimed at reducing the float-loss associated with the more than \$2 billion in coin and currency in circulation at military bases, ships at sea, and other closed government locations around the world. From 1997 to the end of FY 2006, over 5.5 million Electronic Funds Transfer transactions representing a dollar value in excess of \$816 million were processed via the SVC programs.
- Payments Application Modernization (PAM): This is an FMS effort in coordination with the Federal Reserve Bank of Kansas City to modernize the current mainframe-based software applications that are used to disburse approximately one billion federal payments worth over \$1.5 trillion annually. PAM involves replacing over 30 COBOL and Assembler applications that have evolved over the last several decades, with a single standardized application. Additionally, new and enhanced functionality will be incorporated to support improvements in the payment process.
- ASAP.gov (Automated Standard Application for Payments): This is a web-based system built by FMS in coordination with the Federal Reserve Bank of Richmond. Through this all electronic grants payment system organizations including states, universities, for-profits, and non-profits receive federal funds from accounts pre-authorized by Federal agencies. ASAP is one of two systems authorized by the Chief Financial Officer's Council to disburse civilian grant payments on behalf of program

agencies. Eighteen federal agencies use ASAP.gov and total FY 2006 disbursements to organizations were \$425 billion. FMS expects disbursements through ASAP.gov to increase dramatically with the addition of new agencies.

- **Treasury Check Information System (TCIS):** This new web-based system was designed by Federal Reserve Bank of Philadelphia using commercial off the shelf software products. In June 2006, TCIS replaced the outdated Check Payment and Reconciliation System. It provides FMS with an electronic office environment for check activities including the reconciliation of more than 220 million check payments and the processing of over 1.5 million claims inquiries per year. Agencies are now able to access on-line both check and Automated Clearinghouse payment information through TCIS, and no longer have to use two systems to obtain this information.

*Other Resources:*

Offsetting collections and reimbursements totaling \$137,849,000 are collected for disbursement of federal agency payments to beneficiaries, including Social Security payments, Railroad Retirement Board payments, tax refunds and the Department of Veterans Affairs benefit payments.

### 3.2.1 – Payments Budget and Performance Plan

Dollars in Thousands

Payments Budget Activity		Includes Strategic Objective F4C				
Resource Level	FY 2004 Enacted	FY 2005 Enacted	FY 2006 Enacted	FY 2007 President's Budget	FY 2008 Request	
Financial Resources						
Appropriated Resources	\$136,534	\$141,287	\$144,135	\$147,358	\$146,465	
Other Resources	115,188	132,845	127,085	135,031	137,849	
<b>Total Operating Level</b>	<b>\$251,722</b>	<b>\$274,132</b>	<b>\$271,220</b>	<b>\$282,389</b>	<b>\$284,314</b>	
Human Resources						
Appropriated FTE	1,173	1,173	1,173	1,173	1,112	
Other FTE	39	39	43	40	41	
<b>Total FTE (direct and reimbursable)</b>	<b>1,212</b>	<b>1,212</b>	<b>1,216</b>	<b>1,213</b>	<b>1,153</b>	

Payments Budget Activity		Includes Strategic Objective F4C				
Measure		FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Percentage of Treasury Payments and associated information made electronically (%) (Oe)	Target	75%	76%	78%	78%	79%
	Actual	75%	76%	77%		
	Met	Yes	Yes	No		
Percentage of paper check and Electronic Funds Transfer (EFT) payments made accurately and on time (%) (Oe)	Target	100%	100%	100%	100%	100%
	Actual	100%	100%	100%		
	Met	Yes	Yes	Yes		
Unit cost for Federal Government payments (\$) (E)	Target	Baseline	\$0.35	\$0.35	\$0.39	\$0.39
	Actual	\$0.35	\$0.36	\$0.37		
	Met	Yes	No	No		

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

*Description of Performance:* FMS disburses 85 percent of the federal government's payments to a wide variety of recipients, such as those who receive Social Security



Administration payments, Internal Revenue Service tax refunds, and the Department of Veterans Affairs benefits. In FY 2006, FMS issued over 964 million non-Defense payments, with a dollar value of approximately \$1.5 trillion. Seventy seven percent of these transactions are issued by Electronic Funds Transfer, an increase of one percent over FY 2005. Paper checks account for the remainder of disbursements.

**3B – Collections** (*\$19,869,000 from direct appropriations*): The Collections activity collects revenues needed to operate the federal government through the management of the federal government's collections infrastructure. FMS collected approximately \$2.9 trillion in FY 2006 through a network of more than 9,000 financial institutions. It also manages the collection of federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines and proceeds from leases. FMS establishes and implements collection policies, regulations, standards and procedures for the federal government. The majority of dollar collections are made electronically - 79 percent for FY 2006, a 10 percent increase over 2005.

FMS develops and operates a variety of collection mechanisms and systems to meet program agency needs. It has initiated a comprehensive effort to streamline, modernize and improve the processes and systems supporting Treasury's collections and cash management program. It continues to promote the use of electronics in the collections process and assist agencies in converting collections from paper to electronic media with programs such as:

- *Electronic Federal Tax Payment System (EFTPS)*: This is an accurate, secure and convenient way to pay all federal tax payments, including corporate, excise and employment taxes and 1040 quarterly estimated taxes via the internet or a telephone voice response system. EFTPS processes 95 percent of United States tax dollars and is required for businesses with annual federal tax obligations above \$200,000. FMS is also working to communicate the benefits of EFTPS – accuracy, security, simplicity and flexibility – to financial institutions, small businesses and tax practitioners. The goal is to encourage businesses and individuals to pay their federal taxes electronically through EFTPS rather than by using paper Federal Tax Deposit coupons, which number close to 38 million. FMS is also partnering with the state of Illinois in a pilot program between the Illinois Department of Revenue, FMS and the Internal Revenue Service. The program marks the first time business taxpayers can make state withholding tax deposits through EFTPS Online at the same time as their federal payments with a single PIN and password. Illinois is also examining whether making EFTPS available for state taxpayers will improve the efficiency of the state tax collection system. Results of this pilot will be used to help the Treasury Department determine whether to expand this service to other states and to add other state taxes for payment through EFTPS. The first phase of the EFTPS state pilot program officially was launched on January 11, 2007 in Chicago.

- Pay.gov: This is a government collection portal that provides a single platform for E-Government services and allows citizens, businesses and federal agencies to conduct business via the internet. Pay.gov provides collections, form submittal, bill presentment, authentication and agency financial reporting services. Since inception, it has processed approximately 14.4 million transactions valued at over \$52 billion. Pay.gov responds to the increasing demands of consumers and businesses for electronic alternatives by providing the opportunity to complete forms and applications, make payments, and submit queries on-line 24 hours a day, 7 days a week. Pay.gov, which has been implemented with 95 federal agencies representing 286 cashflows, collected \$29.5 billion in FY 2006.
- Paper Check Conversion Over-the-Counter System (PCC-OTC): This program/service converts paper checks into Electronic Funds Transfers (EFT) debits against the check writer's bank account. PCC is being used at over the counter locations for agency deposits. As of October 2006, PCC-OTC processed more than 6.6 million items representing more than \$6.3 billion. Beginning in April 2005, the PCC system implemented "Check 21" functionality that allows for the image truncation and image clearing of negotiable instruments that cannot be converted into EFT debits.
- Electronic Check Processing (ECP): This is a service that processes all paper checks received at a financial agent lockbox within the General Lockbox Network. The system has the capacity to either convert a check to an EFT debit transaction or truncate the check into an image document under the auspices of Check 21. It provides a government-wide enterprise solution for imaging checks and remittance forms and a central repository for agencies to access their check transactions via a secure internet site. While similar to the Paper Check Conversion/Over the Counter system, ECP is recognized as a separate service because it requires different technology to process a higher volume of transactions and larger files from financial institutions, relative to the lower volumes processed over-the-counter at federal agencies.

### 3.2.2 – Collections Budget and Performance Plan

Dollars in Thousands

Collections Budget Activity Resource Level	Includes Strategic Objectives F4A, F4B, and F4C				
	FY 2004 Enacted	FY 2005 Enacted	FY 2006 Enacted	FY 2007 President's Budget	FY 2008 Request
Financial Resources					
Appropriated Resources	\$16,426	\$16,693	\$16,931	\$17,396	\$19,869
Other Resources	15,162	3,500	0	0	0
<b>Total Operating Level</b>	<b>\$31,588</b>	<b>\$20,193</b>	<b>\$16,931</b>	<b>\$17,396</b>	<b>\$19,869</b>
Human Resources					
Appropriated FTE	113	113	113	113	137
Other FTE	0	0	0	0	0
<b>Total FTE (direct and reimbursable)</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>137</b>

Collections Budget Activity Measure		Includes Strategic Objectives F4A, F4B, and F4C				
		FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Percentage collected electronically of total dollar amount of Federal government receipts (%) (Oe)	Target	81%	82%	83%	80%	81%
	Actual	81%	79%	79%		
	Met	Yes	No	No		
Unit cost to process a Federal revenue collection transaction (\$) (E)	Target	Baseline	\$1.4	\$1.37	\$1.33	\$1.3
	Actual		\$1.4	\$1.2	\$1.1	
	Met		Yes	Yes	Yes	

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

*Description of Performance:* FMS collected approximately \$2.9 trillion in FY 2006 through a network of more than 9,000 financial institutions. It also manages the collection of federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines, and proceeds from leases. FMS establishes and implements collection policies, regulations, standards and procedures for the federal government. FMS develops and operates a variety of collection mechanisms and systems (e.g. Electronic Federal Tax Payment System, lockboxes, Treasury General Accounts, debit/credit cards, and Pay.gov) to meet program agency needs. The majority of the dollar amounts of FMS collections are made electronically; 79 percent for FY 2006. FMS continues to promote the use of technology in the collections process and assists agencies in converting collections from paper to electronic media.

**3C – Debt Collection** (\$77,330,000 from reimbursable programs): The Debt Collection activity collects 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 and related legislation. The services include, but are not limited to, collecting delinquent debts through cross-servicing and offsetting federal payments, providing a database for use as a tool for barring delinquent debtors, providing post-judgment collection, advising and educating agencies towards improving debt management, and referrals to the Department of Justice.

FMS collects delinquent debt through two major programs: the Treasury Offset Program (TOP) and cross-servicing. The Treasury Offset Program compares the names and Taxpayer Identifying Numbers (TINs) of debtors with the names and TINs of recipients of federal payments. If there is a match, the federal payment is reduced, or “offset,” to satisfy the overdue debt.

Cross-servicing activities are conducted through FedDebt, a comprehensive system that replaced FMS’ prior cross-servicing system in October 2005. Cross-servicing includes applications for various collection tools such as offset, demand letters to debtors, repayment agreements, administrative wage garnishment, referrals to the Department of Justice, credit bureau reporting, reporting discharged debts to the Internal Revenue Service (IRS), and use of private collection agencies.

In 2005, FMS implemented the initial phase of FedDebt. Future releases will integrate the Treasury Offset Program and cross-servicing into FedDebt, which will provide

federal program agencies with batch and on-line capabilities for all users via a single sign-on interface and will employ a common file format for remitting cross-servicing or TOP debts. FedDebt provides increased flexibility; increased automation among a number of processes currently handled manually, and improved system access for federal agency customers and service partners. It allowed FMS to transfer a major portion of its debt collection functions performed in the Washington, D.C. area to the Birmingham center in FY 2006 which has consolidated functions, streamlined operations, and reduced costs. FMS will continue development of FedDebt, making it more user-friendly by replacing the existing TOP program and enhancing applications to provide better service to agencies that refer debts for collection.

FMS is working to incorporate additional payment types into the payment offset and levy programs. This effort is directed primarily at increasing collections of debt, especially tax debt owed by contractors and vendors. In addition, FMS will continue to promote and roll out Debt Check, its on-line database used to assist agencies in barring delinquent debtors from obtaining new loans or loan guarantees.

### 3.2.3 – Debt Collection Budget and Performance Plan

Dollars in Thousands

<b>Debt Collection Budget Activity</b>		<b>Includes Strategic Objective F4A</b>			
<b>Resource Level</b>	<b>FY 2004 Enacted</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Enacted</b>	<b>FY 2007 President's Budget</b>	<b>FY 2008 Request</b>
Financial Resources					
Appropriated Resources	\$14,696	\$9,855	\$10,162	\$5,250	\$0
Other Resources	31,049	33,675	40,185	61,251	77,330
<b>Total Operating Level</b>	<b>\$45,745</b>	<b>\$43,530</b>	<b>\$50,347</b>	<b>\$66,501</b>	<b>\$77,330</b>
Human Resources					
Appropriated FTE	113	113	113	56	0
Other FTE	268	273	273	330	387
<b>Total FTE (direct and reimbursable)</b>	<b>381</b>	<b>386</b>	<b>386</b>	<b>386</b>	<b>387</b>

<b>Debt Collection Budget Activity</b>		<b>Includes Strategic Objective F4A</b>				
<b>Measure</b>		<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
Amount of delinquent debt collected per \$1 spent (\$) (E)	Target		Baseline	\$36.4	\$36.5	\$36.75
	Actual		\$36.23	\$39.97		
	Met		No	Yes		
Amount of delinquent debt collected through all available tools (Billions \$) (Ot)	Target	\$2.9	\$3	\$3.1	\$3.2	\$3.25
	Actual	\$3	\$3.25	\$3.34		
	Met	Yes	Yes	Yes		
Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral (%) (Ot)	Target	90%	92%	93%	94%	95%
	Actual	99%	97%	95%		
	Met	Yes	Yes	Yes		

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

*Description of Performance:* In FY 2006, FMS collected a record \$3.34 billion in delinquent debt, including \$1.59 billion in past due child support, \$1.23 billion in federal non-tax debt, and more than \$520 million in federal tax levies and state tax debt offsets. Debt referrals from creditor agencies were at 95 percent of eligible debt at the end of FY 2006. As a result of our continued improvements to the program, collections have

steadily increased to more than \$27.7 billion since the enactment of the Debt Collection Improvement Act in 1996. In calendar year 2006, IRS referred an additional \$47 billion of tax debts for continuous levy, a twenty-five percent increase from calendar year 2005 for the same period.

**3D – Government-wide Accounting and Reporting** (*\$68,857,000 from direct appropriations*): The Government-wide Accounting and Reporting activity maintains the federal government's books and accounts for its monetary assets and liabilities by operating and overseeing the government's central accounting and reporting system. It also works with federal agencies to adopt uniform accounting and reporting standards and systems and provides support, guidance and training to assist Federal Program Agencies (FPAs) in improving their government-wide accounting and reporting responsibilities. FMS gathers and publishes government-wide financial information which is used in establishing fiscal and debt management policies and is also used by the public and private sectors to monitor the government's financial status. These publications include: the Daily Treasury Statement, the Monthly Treasury Statement, the Treasury Bulletin, the Combined Statement of the United States Government, and the *Financial Report of the United States Government* (FR).

FMS is building and implementing a system to improve the exchange of financial information among FMS, FPAs, Office of Management and Budget (OMB) and the banking community. Once completed, this Government-wide Accounting (GWA) Modernization Project will comprehensively replace current government-wide accounting functions and processes that are both internal and external to FMS. It will improve the reliability, usefulness, and timeliness of the government's financial information, provide FPAs and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies. In addition, FPAs will have better tools for reporting financial information and access to daily account statements for monitoring the status of their financial information at the Treasury Department. This initiative will result in significant savings throughout government as agencies will no longer have to prepare month-end reports classifying all of their disbursement and collection transactions or performing reconciliations on statements of differences associated with this month-end reporting.

FMS is taking significant steps in an attempt to address the material weaknesses found in the compilation process of Financial Report (FR) of the United States Government, including:

- Requiring comprehensive accounting data from agencies on a quarterly basis that will allow FMS to better analyze the data for consistency and completeness.
- Providing agencies with authoritative data to reconcile inter-agency transfers and other transactions that agencies report to the central accounting system.
- Using the Chief Financial Officers (CFO) Council, Treasury Reporting Group as a forum to discuss these accounting and reporting issues that affect the FR.

- Working with the CFO Council and OMB to develop more consistent business rules for intra-governmental transactions.
- Encouraging greater auditor participation by requiring agency auditors to more closely scrutinize intra-governmental out-of-balance conditions with other agencies.

The goal of these actions is to remove the compilation process as a barrier to a clean audit opinion for the FR.

### 3.2.4 – Government-wide Accounting and Reporting Budget and Performance Plan

Dollars in Thousands

Government-wide Accounting and Reporting Budget Activity	Includes Strategic Objective F4D				
	FY 2004 Enacted	FY 2005 Enacted	FY 2006 Enacted	FY 2007 President's Budget	FY 2008 Request
<b>Resource Level</b>					
Financial Resources					
Appropriated Resources	\$59,554	\$61,248	\$62,653	\$63,650	\$68,857
Other Resources	500	500	500	0	0
<b>Total Operating Level</b>	<b>\$60,054</b>	<b>\$61,748</b>	<b>\$63,153</b>	<b>\$63,650</b>	<b>\$68,857</b>
Human Resources					
Appropriated FTE	419	419	419	419	443
Other FTE	4	4	4	0	0
<b>Total FTE (direct and reimbursable)</b>	<b>423</b>	<b>423</b>	<b>423</b>	<b>419</b>	<b>443</b>

Government-wide Accounting and Reporting Budget Activity	Measure	Includes Strategic Objective F4D				
		FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Percentage of government-wide accounting reports issued accurately (%) (Oe)	Target	100%	100%	100%	100%	100%
	Actual	100%	100%	100%		
	Met	Yes	Yes	Yes		
Percentage of government-wide accounting reports issued timely (%) (E)	Target	100%	100%	100%	100%	100%
	Actual	100%	100%	100%		
	Met	Yes	Yes	Yes		
Unit Cost to Manage \$1 Million Dollars of Cash Flow	Target			Baseline	\$10.69	\$12.88
	Actual			\$8.5		
	Met			Yes		

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

*Description of Performance:* FMS issues 100 percent of its Government-wide accounting reports issued accurately and timely. For the third consecutive year, FMS released the *Financial Report of the United States Government (FR)* 75 days after the fiscal year-end. FMS established a new measure, “Unit cost to manage \$1 million of cash flow”, which will begin in FY 2007.

For detailed information about each performance measure, including definition, verification and validation, please go to:

[http://www.treas.gov/offices/management/dcfo/accountability-reports/2006-par/Part\\_IV\\_Appendices.pdf](http://www.treas.gov/offices/management/dcfo/accountability-reports/2006-par/Part_IV_Appendices.pdf)

## Section 4 – Supporting Materials

### 4.1 – Human Resources Table

Changes in Full Time Equivalents

Direct FTE		FY 2006	FY 2007	FY 2008
<b>Base: Year-end Actual from Prior Year</b>		1,645	1,604	1,761
<b>Increases:</b>				
Reason #1	Normal Accession	164	65	
Reason #2:	Adjustment from actual to budgeted		188	
<b>Subtotal, Increases</b>		<b>164</b>	<b>253</b>	<b>0</b>
<b>Decreases:</b>				
Reason #1:	Normal Attrition	-116		
Reason #2:	Reduction due to buyout	-40	-39	
Reason #3:	Redirection of FTE to Reimbursable/Debt fund	-49	-57	-56
Reason #4:	Reduction of FTE due to modernization of the payments function			-13
<b>Subtotal, Decreases</b>		<b>-205</b>	<b>-96</b>	<b>-69</b>
<b>Year-end Actual/Estimated FTEs</b>		<b>1,604</b>	<b>1,761</b>	<b>1,692</b>
<b>Net Change from prior year SOY to budget year EOY</b>				<b>88</b>

### 4A – Human Capital Strategy Description

The Financial Management Service's strategic management of human capital is consistent with its mission, vision and priorities supporting the President's Management Agenda, and Treasury's strategic goal to Manage the United States Government's Finances Effectively.

FMS is on the technology forefront in the performance of its mission. It has taken steps to improve the quality of its professional workforce. A Human Capital Strategic Plan has been developed to identify current structure weaknesses and build upon its strengths. Achieving the following objectives will support and strengthen its work force:

- *Strategic Alignment*: A human capital strategy is aligned with mission, goals, organizational objectives and integrated into its strategic plans, performance plans and budgets.
- *Workforce Planning & Deployment*: FMS is citizen-centered, delayed, mission-focused, and leverages E-Government and competitive sourcing.
- *Leadership & Knowledge Management*: Leaders and managers effectively manage people, ensure continuity of leadership, and sustain a learning environment that drives

continuous improvement in performance. Succession strategies result in a diverse leadership talent pool that is continually updated.

- *Results-Oriented Performance Culture*: FMS has a diverse, results-oriented, high performance workforce, a performance management system and awards program that effectively differentiates between high and low performance. It holds employees accountable, links individual/team/unit performance to organizational goals and desired results.
- *Diversity*: Under-representation is addressed, particularly in mission-critical occupations and leadership positions and processes are in place to sustain diversity.
- *Talent*: FMS has significantly reduced mission-critical skills, knowledge and competency gaps. FMS is making significant progress and demonstrates continued improvement in meeting agreed-upon hiring timeline goals, i.e., the 45-day hiring model.
- *Accountability*: Human capital decisions are guided by a data-driven results-oriented planning and accountability system.

Through these objectives FMS has strengthened its human capital position. Proactive identification and filling of vacant positions is a part of recruiting and retaining new talent. Delegated Examination and student intern program authorities are used extensively to attract talent from some of the best colleges and universities.

FMS has action plans to attain and maintain the right number of people with the right skills to accomplish the mission. It continually manages the ongoing challenge of recruiting and retaining highly skilled individuals in critical areas, including Accountants (with strong analytical skills) and IT Specialists. These challenges have increased with heightened competition from the private sector. In addition, there is ongoing position management and assessment of FTE distribution. As vacancies occur, they are reviewed and back-filled or the FTE is redirected as appropriate. This is how FMS counters the possibility of either a surplus or deficiency of staff in certain job occupations.

Through FY 2010, 29 percent of FMS' current employees are eligible for Optional Retirement and 47 percent are eligible for Discontinued Service or Early Retirement. Strategies are in place to close skill-gaps and fill staffing requirements in mission-critical occupations. This includes use of all available pay incentives within budget constraints (e.g., Recruitment and Retention Incentives) and specialized employee development programs: SES Candidate Development, Project Management Certification, Management Preparatory Development, Federal Career Intern Program, Leadership, and Mentoring.

Another strategy to manage staffing needs is use of contractors and/or outsourcing. FMS supplements its workforce with contractors in security, building maintenance, IT support and various finance functions provided by the Bureau of the Public Debt. Financial



institutions and Federal Reserve Banks serve as financial and fiscal agents of the Treasury Department in providing banking, payment and other financial services to FMS.

FMS believes that a diverse workforce is vital to achieve its mission. It monitors recruitment and diversity goals to improve areas of under-representation and actively supports programs and initiatives to recruit minority college students. The following programs have been put into place to ensure a diverse workforce:

- SES candidate program was developed to create a diverse pipeline of future senior executives.
- Special emphasis programs were expanded and Equal Employment Opportunity (EEO) and diversity awareness training was instituted.
- Hispanic recruitment was enhanced through the increased use of Hispanic Associations of Colleges and Universities (HACU) interns, which created a pipeline for new Hispanic employees.
- Increased participation in the Washington Internship for Native Students (WINS) program.
- Participation in the Department of Labor's Workforce Recruitment Program for students with disabilities was increased.
- Increased use of the Federal Career Internship Program (FCIP) to facilitate and accelerate general hiring of qualified and talented minority student interns.

FMS has a solid and viable Human Capital Strategy to fulfill its primary mission.

## 4.2 – Summary of IT Resources Table

Dollars in Millions

Information Technology Investments 1/ (in \$ Millions)		FY 2005		FY 2006	% Change from FY05 Actuals to FY06	FY 2007	% Change from FY06 to FY07	FY 2008	% Change from FY07 to FY08
Major IT Investments	Budget Activity/Funding Source	Operating Plan	Obligations	Operating Plan		President's Budget	Request		
Automated Standard Application for Payment (ASAP)	Payments	\$10.6	\$10.6	\$11.1	4.7%	\$12.4	\$13.6	11.6%	10.0%
Debt Management Accounting Systems (DMAS)	Debt Management	3.1	3.1	5.2	66.3%	7.5	6.3	44.0%	-15.6%
Electronic Federal Tax Payment System (EFTPS) -- joint Ex. 300 w/IRS	Collections	81.0	81.0	68.8	-15.1%	70.8	73.2	3.0%	3.3%
Financial Information Reporting and Standardization (FIRST) 2/	Governmentwide Accounting	2.9	2.9	7.7	162.4%	6.8	7.3	-11.7%	7.4%
Governmentwide Accounting Modernization (GWA)	Governmentwide Accounting	20.5	20.5	21.4	4.0%	22.0	22.6	2.9%	2.9%
Integrated FedDebt	Debt Management	21.0	21.0	19.9	-5.2%	13.2	13.2	-33.5%	0.0%
Intragovernmental Payments & Collections (IPAC)	Governmentwide Accounting	9.8	9.8	7.2	-26.5%	6.5	5.8	-9.8%	-11.4%
PACER Online	Payments	4.6	4.2	4.5	7.1%	4.6	4.7	1.7%	3.2%
Payment Application Modernization (PAM) 3/ Pay.gov	Payments	5.2	5.2	19.7	282.2%	19.3	18.0	-1.9%	-6.8%
Secure Payment System (SPS)	Collections	20.5	20.5	23.0	12.2%	21.3	11.6	-7.4%	-45.5%
Treasury Check Information System (TCIS)	Payments	5.4	5.4	5.7	5.0%	5.8	5.9	1.8%	1.7%
	Payments	6.5	6.5	8.3	27.8%	8.2	6.6	-0.7%	-19.2%
<b>Subtotal, Major IT Investments</b>		<b>\$191.1</b>	<b>\$190.7</b>	<b>\$202.4</b>	<b>6.1%</b>	<b>\$198.4</b>	<b>\$188.9</b>	<b>-2.0%</b>	<b>-4.8%</b>
CashTrack	Governmentwide Accounting	3.75	3.75	3.4	-9.3%	3.5	3.5	2.9%	0.0%
Shared Accounting Module (SAM) 4/	Governmentwide Accounting	0.7	0.7	2.63	275.7%	3.362	3.502	27.8%	4.2%
Transaction Reporting System (TRS)	Governmentwide Accounting	4	4	3.8	-5.0%	3.418	5.18	-10.1%	51.6%
Treasury Receivable, Accounting, and Collections System (TRACS)	Collections	1.9	1.9	1.5	-21.1%	1.5	1.6	0.0%	6.7%
<b>Non-Major IT Investments</b>		<b>\$10.4</b>	<b>\$10.4</b>	<b>\$11.3</b>	<b>9.5%</b>	<b>\$11.8</b>	<b>\$13.8</b>	<b>4.0%</b>	<b>17.0%</b>
FMS Enterprise Infrastructure (Consolidated)		57.5	57.5	65.4	13.7%	61.3	62.0	-6.3%	1.1%
FMS Computer Security/Disaster Recovery (Consolidated)		11.7	11.7	13.5	15.8%	12.6	13.7	-6.8%	8.7%
FMS Strategic Asset Management/Capital Asset Refresh Initiative (Consolidated)		-	-	-	0.0%	-	5.0	0.0%	0.0%
<b>Infrastructure Investments</b>		<b>\$69.2</b>	<b>\$69.2</b>	<b>\$78.9</b>	<b>14.0%</b>	<b>\$73.9</b>	<b>\$80.7</b>	<b>-6.4%</b>	<b>9.2%</b>
<b>Enterprise Architecture</b>		<b>\$0.9</b>	<b>\$0.9</b>	<b>\$1.8</b>	<b>96.6%</b>	<b>\$1.4</b>	<b>1.4</b>	<b>-21.7%</b>	<b>-0.7%</b>
<b>Total IT Investments</b>		<b>\$271.6</b>	<b>\$271.2</b>	<b>\$294.4</b>	<b>8.6%</b>	<b>\$285.5</b>	<b>284.7</b>	<b>-3.0%</b>	<b>-0.3%</b>

1/ Amounts include all funding sources and FTEs.

2/ FY05 Costs for FIRST are for the legacy GFRS system which will be included in this new investment.

3/ PAM FY06-FY08 amounts reflect rebaselined legacy system costs designed to more accurately reflect all costs associated with the RO Payment System.

4/ SAM received credits from the FRB in FY 05, leading to lower costs for FY 05.

#### **4B – Information Technology Strategy**

FMS focuses its IT investments on furthering web-based applications and eliminating paper processes to support operational efficiency and the President's Management Agenda (PMA) E-Government initiatives. FMS is committed to establishing policies and processes to facilitate the integration of E-Commerce technologies into its infrastructure. FMS has undertaken considerable efforts to modernize its systems by incorporating new technologies and making full use of the internet. Moving to an all-electronic Treasury, especially for payments and collections, is a Treasury Department and FMS strategic goal.

IT funding is critical for FMS to make significant progress in strengthening its entity-wide IT security especially in the areas of robust intrusion detection, monitoring and patch management, and assuring adequate disaster recovery. These investments ensure that FMS' products and services are provided in a secure environment and the federal government's payment, collection and cash forecasting critical infrastructure assets do not become susceptible to computer attacks, viruses and terrorist activities. FMS' certification and accreditation process is robust and continuously improving. Currently, all major applications and general support systems are certified and accredited. Maintaining the FMS computer security program at an acceptable level requires ongoing upgrades of tools and technologies.

### 4.3 – PART Evaluation Table

<b>PART Name:</b>	<b>Debt Collection</b>
<b>Year PARTed:</b>	2003
<b>Rating:</b>	Effective
<b>OMB Major Findings/Recommendations</b>	
<ol style="list-style-type: none"> <li>1. Develop a more ambitious long-term performance measure.</li> <li>2. Set interim targets and describe interim actions necessary to achieve the long-term performance measure.</li> <li>3. Level fund the debt collection program for FY 2005.</li> <li>4. Propose legislation to increase and enhance debt collection opportunities.</li> </ol>	
<b>Bureau Actions Planned or Underway</b>	
<ol style="list-style-type: none"> <li>1. Continuously review the trend in debt collection and revise/update the long-term measure as necessary.</li> <li>2. FMS establishes annual performance measures for collections and referrals of debt by agencies. These targets/measures and actions help direct efforts to achieve our long-term measure.</li> <li>3. Operate within budgetary resources. With the FY 08 budget submission, FMS has zeroed-out the salary and expenses appropriated funding requirements for this program and the program will be self-funded through fee revenue. FMS will analyze projected collections and fees with the goal of ensuring fees will cover the full cost of the program.</li> <li>4. FMS has submitted numerous legislative proposals which will enable FMS to significantly enhance our debt collection opportunities.</li> </ol>	

<b>PART Name:</b>	<b>Collections</b>
<b>Year PARTed:</b>	2004
<b>Rating:</b>	Effective
<b>OMB Major Findings/Recommendations</b>	
<ol style="list-style-type: none"> <li>1. Work with program partners to explore opportunities to better reduce paper-based collections.</li> <li>2. Provide 2006 funding at the same level as in 2005 (excluding funding received for services provided to other federal agencies).</li> </ol>	
<b>Bureau Actions Planned or Underway</b>	
<ol style="list-style-type: none"> <li>1. FMS is working with federal agencies participating in the General Lockbox Network to eliminate the paper checks that are received converting paper checks into electronic Automated Clearing House transactions (Electronic Check Processing) or truncating the paper check and processing an image of the check (Check 21).</li> <li>2. FMS has partnered with customs and Border Protection (CBP) to convert the financial piece of CBP's Automated Commercial Environment (ACE) System to Pay.gov. The ACE cash flow totals \$20 billion annually.</li> <li>3. FMS will work with federal agencies as it begins to pilot and implement TGA.net, an automated system designed to eliminate the paper deposit ticket which accompanies over the counter deposits by Federal agencies at financial institutions.</li> <li>4. Operate within budgetary resources.</li> </ol>	

<b>PART Name:</b>	Payments
<b>Year PARTed:</b>	FY 2005
<b>Rating:</b>	Effective
<b>OMB Major Findings/Recommendations</b>	
1. The program must continue its efforts toward and all electronic treasury.	
<b>Bureau Actions Planned or Underway</b>	
1. Working with Federal agencies to reduce the number of paper check payments and increasing the number of more efficient and secure electronic payments. This reflects FMS' efforts to work toward its 2010 goal of 90 percent of all payments made electronically.	
2. Implemented Go Direct, a nationwide campaign to encourage current Federal check recipients to switch to direct deposit.	
3. Continue to pursue requiring at some future date, that all new benefit recipients receive their benefit payments electronically rather than check unless they do not have a bank account.	

<b>PART Name:</b>	Governmentwide Accounting
<b>Year PARTed:</b>	FY 2006
<b>Rating:</b>	Moderately Effective
<b>OMB Major Findings/Recommendations</b>	
1. The program must develop a baseline for its efficiency performance measure. While FMS has unit cost, timeliness, and accuracy measures in its internal and external performance reporting that are used to manage for improved efficiency, at the time of this PART evaluation, a baseline for the new unit cost measure had yet not been established.	
2. More work needs to be done in order to achieve a clean opinion on the Financial Report of the U.S. Government. Improvement is needed on material weakness in the areas of accounting data compilation/consolidation and reconciliation of intragovernmental reporting differences.	
<b>Bureau Actions Planned or Underway</b>	
1. Developing a baseline for the efficiency performance measure that measures the unit cost to manage one million dollars of cash flow.	
2. Develop authoritative balances from FMS systems to which agencies will be required to reconcile.	
3. Developing the Financial Information Reporting Standardization (FIRST) system in order to better integrate and reconcile budget and accounting data.	

For a complete list of PART results visit the following website:  
<http://www.whitehouse.gov/omb/expectmore/all.html>