

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 owed to the Government.

Program Summary by Budget Activity

Dollars in Thousands

| Appropriation | FY 2008 | FY 2009 | FY 2010 | | |
|--|------------------|------------------|------------------|----------------|-------------|
| | Enacted | Enacted | Request | \$ Change | % Change |
| Payments | \$210,152 | \$147,717 | \$150,395 | \$2,678 | 1.8% |
| Collections | \$19,804 | \$21,521 | \$21,911 | \$390 | 1.8% |
| Government-wide Accounting and Reporting | \$68,642 | \$70,547 | \$71,826 | \$1,279 | 1.8% |
| Total Appropriated Resources | \$298,598 | \$239,785 | \$244,132 | \$4,347 | 1.8% |
| Total FTE | 1,692 | 1,500 | 1,500 | 0 | 0.0% |

Note: The FY 2008 Enacted Column includes \$64 Million in Economic Stimulus Funds.
The Debt Collection program is funded through reimbursable revenues.

FY 2010 Priorities

- Provide timely, accurate, and efficient disbursement of Federal payments.
- Provide timely, accurate and efficient collection of Federal Government receipts.
- Maximize collection of delinquent debt owed to the Government.
- Produce timely and accurate financial information that contributes to the improved quality of financial decision making.

Table of Contents

| | |
|---|-----------|
| Financial Management Service | 1 |
| Section 1 – Purpose | 3 |
| 1A – Description of Bureau Vision and Priorities..... | 3 |
| 1B – Program History and Future Outlook..... | 4 |
| Section 2 – Budget Adjustments and Appropriation Language | 7 |
| 2.1 – Budget Adjustments Table..... | 7 |
| 2A – Budget Increases and Decreases Description | 7 |
| 2.2 – Operating Levels Table..... | 8 |
| 2.3 – Appropriations Detail Table | 9 |
| 2B – Appropriations Language and Explanation of Changes..... | 9 |
| Exhibit 2C – Permanent, Indefinite Appropriations | 9 |
| 2C – Legislative Proposals | 10 |
| Section 3 – Budget and Performance Plan | 12 |
| 3.1 – Budget by Strategic Outcome | 12 |
| 3.2.1 – Payments Budget and Performance Plan | 14 |
| 3.2.2 – Collections Budget and Performance Plan | 16 |
| 3.2.3 – Debt Collection Budget and Performance Plan | 18 |
| 3.2.4 – Government-wide Accounting and Reporting Budget and Performance Plan .. | 20 |
| Section 4 – Supporting Materials | 21 |
| 4A – Human Capital Strategy Description | 21 |
| 4.1 – Summary of IT Resources Table | 23 |
| 4B – Information Technology Strategy | 24 |
| 4.2 – Program Assessment Table..... | 25 |

Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

FMS' vision is: World class delivery of government financial management services.

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. Three FMS programs – payments, collections and cash reporting – are part of the Nation's Financial Critical Infrastructure which requires these activities to be fully operational at all times.

FMS' Strategic Goals, as reflected in the FY 2010 priorities, are to:

- Provide timely, accurate, and efficient disbursement of Federal payments.
- Provide timely, accurate and efficient collection of Federal Government receipts.
- Maximize collection of delinquent debt owed to the Government.
- Produce timely and accurate financial information that contributes to the improved quality of financial decision making.
- Be a great place to work.

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. The breadth and scope of FMS' programs are enormous. The impact of its programs on the economy and the American public is significant. FMS' activities touch millions of American citizens, virtually every Federal Program Agency (FPA) and state governments across the country.

As the Government's financial manager, FMS oversees a daily cash flow in excess of \$60 billion, disbursing 85 percent of the Federal Government's payments. These payments include 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 over \$3.1 trillion in FY 2008. FMS provides cash management guidance to FPAs, maintains the Government's accounting books, and compiles and publishes government-wide financial information used to monitor the Government's financial status. Finally, FMS serves as the Government's central debt collection agency for delinquent non-tax debt.

1B – Program History and Future Outlook

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. It also includes special payments such as Federal Emergency Management Agency payments. In FY 2008, FMS issued nearly 1 billion non-Defense payments worth \$1.8 trillion to a wide variety of recipients, such as those who receive Social Security benefits, IRS tax refunds and veterans' benefits. Seventy-nine percent of all payments disbursed were issued via direct deposit. In addition, FMS issued an additional 119 million Economic Stimulus Payments valued at over \$96 billion. Over 36 percent of the Stimulus Payments were issued by 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. The Payment Application Modernization (PAM) Project is an effort to replace the current mainframe-based software applications that are used to disburse approximately 1 billion federal payments annually with a total dollar value of \$1.5 trillion. Ultimately, PAM will be a single application that will generate check, wire transfer, and ACH payments for federal program agencies (FPAs), including Social Security, IRS, Veteran's Affairs, as well as others.

In FY 2010, FMS will continue to expand the use of electronic media to deliver Federal payments. Electronic media provides a safer, more secure and reliable method of payment for recipients. In addition, electronic payments also decrease the number of paper checks issued, minimizing costs and inefficiencies associated with the delivery of non-electronic benefits.

The Collections program collects revenues needed to operate the Federal Government through the effective management of the Government's collections infrastructure. In FY 2008, FMS collected a record \$3.2 trillion, of which 80 percent was collected electronically, through a network of more than 9,000 financial institutions. Dollar revenues collected in FY 2008 exceeded those collected in FY 2007. A major component supporting 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, seven days a week.

FMS is in the middle of a comprehensive effort to streamline, modernize and improve the processes and systems supporting Treasury's collections and cash management program. This effort, Collections and Cash Management Modernization (CCMM), will improve financial performance by enabling FMS and government agencies to more effectively manage financial transaction information and improve the efficiency of the collections information reporting processes.

In FY 2010, FMS will continue to expand the use of electronic collection mechanisms using the most advanced and secure collection technologies that are flexible enough to accommodate the varying needs and technical sophistication of all taxpayers and FPAs. In addition, FMS will work to streamline, modernize and improve the processes and systems supporting Treasury's collections and cash management program. Currently, collection agents report collections information to many FPAs and multiple U.S. Treasury systems. To collect this information, the FPAs and U.S. Treasury systems interface with numerous sources using a variety of formats and interface technologies. FMS is developing a system which will provide a single touch point for information reporting and retrieval via transaction brokering, data warehousing, and business intelligence. The single touch point will enable the standardization and consolidation of collections information and eliminate redundancies in the Federal Government's collections reporting processes. FMS will also continue to focus on security oversight efforts at financial agent processing facilities and banking institutions as a way to proactively identify security control weaknesses and detect and deter fraud, waste, theft and unauthorized access associated with the collection of Government remittances and protection of sensitive information.

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 (DCIA) of 1996 and related legislation.

In FY 2008, FMS collected a record \$5.9 billion in delinquent debt. This includes \$1.5 billion in Economic Stimulus payment offsets which is comprised of \$840 million for child support debts and \$664 million for delinquent non-tax and state tax debt. Debt referrals from creditor agencies were at 100 percent of eligible debt at the end of FY 2008.

As a result of FMS' continued program improvements, total collections since the enactment of the DCIA in 1996 are over \$37.4 billion through FY 2008. In FY 2010, FMS will continue to enhance FedDebt, a comprehensive system that integrated FMS' previous collection tools: Cross-Servicing and the Treasury Offset Program (TOP). This reduces redundancies, improves data integrity, and provides agencies direct online access. FMS will also continue to roll out Debt Check, an online program used to help agencies bar delinquent debtors from obtaining new loans or loan guarantees. In addition, the Centers for Medicare and Medicaid Services (CMS) offset and the Railroad Retirement Board levy program began in FY 2009. The Postal Service is also scheduled to begin offsetting and levying vendor payments in late 2009.

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 FY 2008, FMS released the Financial Report of the United States Government (FR) 75 days after the fiscal year-end for the fifth consecutive year. The FR presents a picture of government-wide finances that complements the traditional Federal Government budget

information. To support the accelerated release of the FR, Treasury continues to release the Monthly Treasury Statements (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 2010, FMS will continue to revamp and implement government-wide accounting processes to provide more useful and reliable financial information on a regular basis. FMS has two major initiatives which will modernize long standing Federal accounting processes and provide agencies with methodologies and tools to improve the accuracy and consistency of their financial data.

FMS is building and implementing a system to improve the exchange of financial information among FMS, FPAs, OMB and the banking community. Once completed, this program, the Government-wide Accounting (GWA) Modernization Program will replace current government-wide accounting functions and processes that are both internal and external to FMS. In FY 2009 and beyond, FMS will continue working with FPAs to implement the new GWA system for the reporting of payments, collections and intra-governmental transactions. The system 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 eliminate duplicate reporting and reconciliation burdens on 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 perform reconciliations on statements of differences associated with month-end reporting.

In FY 2010, FMS will continue moving forward on the FIRST initiative. This initiative integrates budget and financial reports from FPAs. FIRST will improve the consistency of the budgetary and proprietary accounting data recorded in agency financial statements and reported to FMS through its trial balance. FIRST is designed to provide authoritative information, contained in Treasury's central accounting system, to the agencies, to facilitate the reconciliation process for specific intra-governmental transactions.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

| | Financial Management Service | FTE | Amount |
|---|------------------------------|--------------|----------------|
| FY 2009 Enacted | | 1,500 | 239,785 |
| Changes to Base: | | | |
| Maintaining Current Levels (MCLs): | | - | \$4,347 |
| Across the Board Program Reduction | | - | (1,174) |
| Non-Pay Inflation Adjustment | | - | 808 |
| Pay Annualization | | - | 1,558 |
| Pay Inflation Adjustment | | - | 3,155 |
| Subtotal FY 2010 Changes to Base | | - | \$4,347 |
| Total FY 2010 Base | | 1,500 | 244,132 |
| Total FY 2010 President's Budget Request | | 1,500 | 244,132 |

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$4,347,000 / +0 FTE

Across the Board Program Reduction -\$1,174,000 / +0 FTE

FMS continues to focus on improving the efficiency of its operations through a disciplined process of productivity improvement.

Non-Pay Inflation Adjustment +\$808,000 / +0 FTE

Funds are requested for non-related items such as contracts, travel, supplies, equipment and GSA rent.

Pay Annualization +\$1,558,000 / +0 FTE

Funds are requested for the FY 2010 cost of the January 2009 pay raise.

Pay Inflation Adjustment +\$3,155,000 / +0 FTE

Funds are requested for the January 2010 pay raise.

2.2 – Operating Levels Table

| Bureau: Financial Management Service | FY 2008 Enacted | FY 2009 President's Budget | Congressional Action Including Rescission | FY 2009 Enacted Level | Proposed Reprogrammings | FY 2009 Proposed Operating Level | FY 2010 Requested Level | % Change FY 2009 to FY 2010 |
|--|------------------|----------------------------|---|-----------------------|-------------------------|----------------------------------|-------------------------|-----------------------------|
| FTE | 1,692 | 1,500 | 0 | 1,500 | 0 | 1,500 | 1,500 | 0.00% |
| Object Classification: | | | | | | | | |
| 11.1 - Full-time permanent | 119,955 | 124,208 | 336 | 124,544 | 0 | 124,544 | 127,561 | 2.70% |
| 11.3 - Other than full-time permanent | 1,500 | 1,500 | 0 | 1,500 | 0 | 1,500 | 1,540 | 2.67% |
| 11.5 - Other personnel compensation | 3,000 | 3,000 | 0 | 3,000 | 0 | 3,000 | 3,081 | 2.70% |
| 11.8 - Special personal services payments | 0 | 0 | 0 | 3,508 | 0 | 3,508 | 3,603 | 2.71% |
| 12 - Personnel benefits | 26,200 | 29,888 | 105 | 30,975 | 0 | 30,975 | 31,703 | 2.70% |
| 13 - Benefits for former personnel | 175 | 175 | 0 | 175 | 0 | 175 | 180 | 2.86% |
| 21 - Travel and transportation of persons | 1,603 | 1,503 | 0 | 1,503 | 0 | 1,503 | 1,511 | 0.53% |
| 22 - Transportation of things | 195 | 195 | 0 | 275 | 0 | 275 | 278 | 1.09% |
| 23.1 - Rental payments to GSA | 13,500 | 13,500 | 0 | 13,500 | 0 | 13,500 | 13,635 | 1.00% |
| 23.2 - Rental payments to others | 365 | 670 | 0 | 670 | 0 | 670 | 677 | 1.04% |
| 23.3 - Comm, utilities, and misc charges | 61,964 | 11,413 | 0 | 10,351 | 0 | 10,351 | 10,455 | 1.00% |
| 24 - Printing and reproduction | 500 | 500 | 0 | 500 | 0 | 500 | 505 | 1.00% |
| 25.1 - Advisory and assistance services | 4,800 | 6,002 | 0 | 6,002 | 0 | 6,002 | 6,062 | 1.00% |
| 25.2 - Other services | 28,892 | 19,035 | 0 | 18,759 | 0 | 18,759 | 18,574 | -0.99% |
| 25.3 - Other purchases of goods and services from Govt. accounts | 7,037 | 6,000 | 0 | 2,768 | 0 | 2,768 | 2,795 | 0.98% |
| 25.4 - Operation and maintenance of facilities | 1,000 | 500 | 0 | 500 | 0 | 500 | 505 | 1.00% |
| 25.7 - Operation and maintenance of equip | 7,500 | 8,005 | 0 | 8,005 | 0 | 8,005 | 8,085 | 1.00% |
| 26 - Supplies and materials | 8,446 | 3,600 | 0 | 3,600 | 0 | 3,600 | 3,636 | 1.00% |
| 31 - Equipment | 11,441 | 9,100 | 0 | 9,100 | 0 | 9,100 | 9,191 | 1.00% |
| 32 - Land and structures | 475 | 500 | 0 | 500 | 0 | 500 | 505 | 1.00% |
| 42 - Insurance claims and indemnities | 50 | 50 | 0 | 50 | 0 | 50 | 50 | 0.00% |
| Total Budget Authority | \$298,598 | \$239,344 | \$441 | \$239,785 | \$0 | \$239,785 | \$244,132 | 2.00% |
| Budget Activities: | | | | | | | | |
| Payments | 210,152 | 147,445 | 272 | 147,717 | 0 | 147,445 | 150,395 | 2.00% |
| Collections | 19,804 | 21,481 | 40 | 21,521 | 0 | 21,481 | 21,911 | 2.00% |
| Government-wide Accounting and Reporting | 68,642 | 70,418 | 129 | 70,547 | 0 | 70,418 | 71,826 | 2.00% |
| Total Budget Authority | \$298,598 | \$239,344 | \$441 | \$239,785 | \$0 | \$239,785 | \$244,132 | 2.00% |

2.3 – Appropriations Detail Table

Dollars in Thousands

| Resources Available for Obligation | FY 2008 Obligations | | FY 2008 Enacted | | FY 2009 Enacted | | FY 2010 Request | | % Change FY 2009 to FY 2010 | |
|---|---------------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------------------|--------------|
| | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT |
| New Appropriated Resources: | | | | | | | | | | |
| Payments* | 901 | \$171,686 | 1,112 | \$210,152 | 963 | \$147,717 | 963 | \$150,395 | 0.00% | 1.81% |
| Collections | 148 | 23,103 | 137 | 19,804 | 135 | 21,521 | 135 | 21,911 | 0.00% | 1.81% |
| Debt Collection | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% |
| Gov. Accounting and Reporting | 408 | 72,420 | 443 | 68,642 | 402 | 70,547 | 402 | 71,826 | 0.00% | 1.81% |
| Subtotal New Appropriated Resources | 1,456 | \$267,209 | 1,692 | \$298,598 | 1,500 | \$239,785 | 1,500 | \$244,132 | 0.00% | 1.81% |
| Other Resources: | | | | | | | | | | |
| Recoveries | | | | | | | | | | |
| Offsetting Collections - Reimbursable | 429 | 206,425 | 428 | 215,179 | 441 | 228,010 | 483 | 234,690 | 9.52% | 9.17% |
| Available multi-year/no-year funds | | | | | | | | | | |
| Transfers In/Out | | | | | | | | | | |
| Subtotal Other Resources | 429 | \$206,425 | 428 | \$215,179 | 441 | \$228,010 | 483 | \$234,690 | 9.52% | 2.93% |
| Total Resources Available for Obligation | 1,885 | \$473,634 | 2,120 | \$513,777 | 1,941 | \$467,795 | 1,983 | \$478,822 | 2.16% | 2.36% |

*FY 2008 Obligations includes \$36.9M and 8 FTE associated with the Economic Stimulus Payments

2B – Appropriations Language and Explanation of Changes

| 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>SALARIES AND EXPENSES:</p> <p>For necessary expenses of the Financial Management Service, [\$239,785,000] \$244,132,000 of which not to exceed \$9,220,000 shall remain available until September 30, [2011] 2012, for information systems modernization initiatives, of which not to exceed \$2,500 shall be available for official reception and representation expenses. [Department of the Treasury Appropriations Act, 2009]</p> | |

Exhibit 2C – 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. In 1998, Treasury received a permanent, indefinite appropriation to reimburse the FRBs for the services they provide as fiscal agents on behalf of 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 2010 will be approximately \$321 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 (FA) of the United States Government. The services are in support of programs such as Electronic Federal Tax Payment System (EFTPS), the Lockbox Networks, plastic cards, e-commerce systems, and the deposit reporting and cash concentration system called CASHLINK II. These and other programs are vital to FMS strategic goals, the Government’s financial critical infrastructure, and the expanding E-Government. The services provided by the FAs 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 FA services for FY 2010 will be approximately \$609 million, which includes \$12.5 million for Government Sponsored Enterprise - Mortgage Backed Securities (GSE-MBS) administrative costs. Of this amount, approximately \$50 million is reimbursed from other government agencies and deposited into the General Fund.

Table 2.4 – Permanent, Indefinite Appropriations
(Dollars in Thousands)

| Permanent, Indefinite Appropriation | 2008 Enacted | FY 2009 Request | FY 2010 Request |
|-------------------------------------|--------------|-----------------|-----------------|
| Federal Reserve Bank | \$295,000 | \$305,000 | \$321,000 |
| Financial Agent Services* | \$426,000 | \$593,000 | \$609,000 |

* FY 2010 includes \$12.5 million for the Government Sponsored Enterprise - Mortgage Backed Securities administrative costs.

** Approximately \$50 million is reimbursed from other FPAs and deposited into the General Fund.

2C – Legislative Proposals

Authorize Post-L Levy Due Process for Levies Under the Federal Payment Levy Program

To ensure the payment and collection of taxes, the IRS is authorized to take various collection actions, including Federal tax levies. Before a tax levy can be issued, however, the IRS must provide the taxpayer with notice and an opportunity for an administrative collection due process (CDP) hearing, and for judicial review. An exception to the requirement for pre-levy CDP proceedings applies to levies issued to collect a Federal tax

liability from a State tax refund. This exception was recently expanded to include levies issued to collect Federal employment taxes under specified conditions. In these contexts, the taxpayer is provided an opportunity for a CDP hearing within a reasonable period of time after the levy.

This proposal would further expand the exception to the requirement for pre-levy CDP proceedings to include levies issued to collect Federal tax liabilities from Federal vendor payments under the Federal Payment Levy Program. As with the current exceptions, the taxpayer would be provided an opportunity for a CDP hearing within a reasonable period of time after the levy. This proposal is estimated to result in an additional \$1.2 billion in collections over ten years.

The Federal Payment Levy Program is an automated process that matches Federal tax liabilities against payments disbursed by the Federal Government, including payments to Federal contractors. Under the current process, when a match occurs, IRS issues the CDP notice but cannot levy payment until the CDP requirements are complete. By this time the payment has already been made and the opportunity for levy is diminished. This proposal would remedy this situation by allowing the IRS to levy the payment at the time the payment is identified as is currently done to levy State tax refunds and to collect Federal employment taxes.

Technical Correction to Allow IRS to Levy 100% of All Vendor Payments to Collect Delinquent Taxes

Section 6331 (h) of the Internal Revenue Code was amended in 2005 to allow the Internal Revenue Service to levy up to 100 percent of Federal vendor payments. Before this change, the maximum was 15 percent. The current language, which was intended to cover all Federal vendor payments, refers to payments for "goods and services." This has been interpreted to exclude payments for the purchase or lease of real estate. Therefore, a technical correction is proposed to ensure that all Federal vendor payments are covered. This proposal is estimated to result in an additional \$845 million in collections over ten years.

Section 3 – Budget and Performance Plan

This table lists all FY 2010 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan is a corporate level plan for the Department that provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: <http://www.treas.gov/offices/management/budget/strategic-plan/>

3.1 – Budget by Strategic Outcome

Dollars in Thousands

| Treasury Strategic Outcome | FY 2009 Enacted | FY 2010 Request | Percent Change |
|----------------------------|--------------------|--------------------|----------------|
| Financial information | 77,666 | 75,403 | 2.4% |
| Payments | 286,299 | 293,048 | 2.4% |
| Revenue collected | 107,830 | 110,371 | 2.4% |
| Total | \$467,795 | \$478,822 | 2.4% |

3A – Payments (*\$150,395,000 from direct appropriations and \$137,057,000 from reimbursable programs*): FMS 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 also includes controlling and providing financial integrity to the payments process through reconciliation, accounting and claims activities. Included in this activity is the claims activity which settles claims against the United States. These claims result from Federal Government checks that have been forged, lost, stolen or destroyed. FMS 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.

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 Federal benefit 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. This is attributable to consumable inventory and postage costs which are mitigated with each EFT payment. However, FMS faces challenges in increasing growth in electronic payments. As the Government prepares for the huge increase in retiring baby boomers in the near future, it is critical that FMS dramatically increase use of direct deposit for issuing benefit payments. To help with this endeavor, FMS began a nationwide campaign called “Go Direct” to encourage current check recipients to switch to direct deposit. In its extremely successful third year,

over 901,000 conversions were attributed to the Go Direct campaign, saving millions of dollars for the United States Treasury in the years to come. As of January 2009, the total number of conversions obtained since the inception of the campaign is over 2.5 million.

Additionally, in April FY 2008, FMS implemented a branded debit card program, Direct Express, which provides an electronic option for those Federal check recipients who do not have bank accounts to receive their Federal benefit payments. FMS is working with the Social Security Administration and others to develop and implement the program. As of the end of January 2009, over 308,000 beneficiaries had signed up for Direct Express.

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 and reducing risk 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 September 2008, over 13.5 million EFT transactions with a dollar value in excess of \$2 billion were processed via the SVC programs.
- Automated Standard Application for Payments (ASAP.gov): ASAP is a web-based payment system developed by FMS in coordination with the Federal Reserve Bank of Richmond. Through this all electronic payment system, grantee organizations receiving Federal funds, including states, universities, for-profit, and non-profit entities, draw 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. ASAP is also used to reimburse certain financial agents that are performing financial services for FMS and other Federal agencies. Twenty-five Federal agencies use ASAP and the total CY 2008 disbursements were \$482 billion.
- Payment Application Modernization (PAM): The PAM project is an effort to replace the current mainframe-based software applications that are used to disburse approximately 1 billion federal payments annually with a total dollar value of \$1.5 trillion. Ultimately, PAM will be a single application that will generate check, wire transfer, and ACH payments FPAs, including Social Security, IRS, Veteran's Affairs, as well as others. In addition to standardization, FMS is modernizing the technologies employed in the development of the system, using commercial software products where feasible. Additionally, the project incorporates new and enhanced functionality to support improvements in the payment process. PAM implemented Release 1.0 in FY 2008 consisting of functionality to process Social Security Supplemental Income (SSI) ACH monthly payments. Release 2.0, SSI Check monthly processing, was implemented in February 2009.

Other Resources:

Offsetting collections and reimbursements totaling \$137,057,000 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

| Payments Budget Activity | | | | | |
|---------------------------------|------------------------------|------------------------------|------------------------------|----------------------------|----------------------------|
| Resource Level | FY 2006 Obligated | FY 2007 Obligated | FY 2008 Obligated | FY 2009 Enacted | FY 2010 Request |
| Appropriated Resources | \$142,979 | \$147,055 | \$171,686 | \$147,717 | \$150,395 |
| Reimbursable Resources | \$134,400 | \$132,712 | \$130,853 | \$138,584 | \$137,057 |
| Total Resources | \$277,379 | \$279,767 | \$302,539 | \$286,301 | \$287,452 |

| | | | | | |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Budget Activity Total | \$277,379 | \$279,767 | \$302,539 | \$286,301 | \$287,452 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|

| Budget Activity | Performance Measure | FY 2006 Actual | FY 2007 Actual | FY 2008 Actual | FY 2009 Target | FY 2010 Target |
|------------------------|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Payments | Percentage of paper check and electronic funds transfer (EFT) payments made accurately and on-time (%) (Oe) | 100 | 100 | 100 | 100 | 100 |
| Payments | Percentage of Treasury payments and associated information made electronically (%) (Oe) | 77 | 78 | 79 | 80 | 81 |
| Payments | Unit cost for Federal Government payment (\$) (E) | 0.37 | 0.39 | 0.39 | 0.40 | 0.40 |
| Payments | Number of electronic payments in thousands (Ot) | 74,980 | 767,172 | 793,822 | 808,727 | 831,828 |
| Payments | Number of checks in thousands (Ot) | 219,054 | 214,777 | 205,604 | 203,604 | 201,380 |

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

Description of Performance: FMS disburses 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 2008 FMS issued nearly 1 billion non-Defense payments, with a dollar value of approximately \$1.8 trillion. More than 79 percent of these transactions were issued by Electronic Funds Transfer (EFT). In addition, FMS issued 119 million Economic Stimulus Payments valued at over \$96 billion, 36 percent of which were issued by direct deposit. In FY 2009, FMS is targeting the percentage of electronic payments to be 80 percent.

3B – Collections (\$21,911,000 from direct appropriations and \$113,000 from reimbursable programs): The Collections activity collects revenues needed to operate the Federal Government through the management of the Federal Government’s collections infrastructure. FMS collected a record of \$3.2 trillion in FY 2008 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. In FY 2008, 80 percent of dollar collections

were electronic. FMS set its FY 2010 target for the percentage collected electronically at 80 percent.

FMS develops and operates a variety of collection mechanisms and systems to meet program agency needs. It has initiated a comprehensive effort, CCMM, to streamline, modernize and improve the processes and systems supporting Treasury's collections and cash management program. This effort will improve financial performance by enabling FMS and Government agencies to more effectively manage financial transaction information and improve the efficiency of the collections information reporting processes. Additionally, it will improve timeliness by providing FPA's with the ability to predefine accounting rules to facilitate timely processing of financial transactions through the re-engineering of reporting processes. It will also reduce the number of collections and cash management systems and processes and eliminate the duplication of data, products, interfaces, and technologies. This effort will simplify and standardize systems and processes that have accumulated over 30 years.

FMS 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 collect 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 collects 82 percent of United States tax dollars and is required for businesses with annual Federal tax obligations above \$200,000. FMS has been 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 numbered close to 30.5 million in FY 2008, a reduction of 10 percent as compared to FY 2007. 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. Additionally, FMS has implemented a new program that will allow financial institutions and other third parties to remit tax payments to EFTPS on behalf of their customers. In FY 2008, more than 98 million payments were processed through EFTPS, which represents an 8.7 percent increase over FY 2007.
- *Pay.gov* - Pay.gov is a system allowing individuals and businesses to make non-tax payments to Federal agencies over the internet. Pay.gov provides collections, form submittal, bill presentment, and agency financial reporting services. Since inception in FY 2000 and through March 2009, Pay.gov has processed approximately 47 million transactions valued at over \$162.9 billion. Pay.gov meets the increasing demands of consumers and businesses for electronic alternatives by providing the opportunity to complete forms and applications, make payments, and submit queries online 24 hours a day, seven days a week. Pay.gov, which has been implemented with 128 Federal agencies representing 483 cash flows, collected \$48.7 billion in FY

2008 and \$37.9 billion in FY 2007. New development will focus on interfaces with new systems within the new Collections Business Line Enterprise Architecture, and improved interfaces with Federal agencies.

- Check Conversion and Truncation - This collections settlement service converts a paper check either into an image that is cleared through the banking system or into an EFT debit against the check writer's bank account. In both cases, paper checks are digitized at the point of receipt and the transactions are cleared and settled electronically. This service is key in realizing FMS' goal of increasing electronic collections and reducing collection costs. In FY 2008, more than 6.9 million items received over the counter, representing more than \$12.8 billion, were processed through check conversion or truncation. Additionally, through FY 2008 more than 31 million items received through the mail at lockboxes, representing more than \$15.6 billion, were similarly processed. FMS' target is that all paper checks remitted to the Federal Government will be converted or truncated and processed electronically by the end of FY 2010.

3.2.2 – Collections Budget and Performance Plan

| Collections Budget Activity | | | | | |
|-----------------------------|----------------------|----------------------|----------------------|--------------------|--------------------|
| Resource Level | FY 2006 Obligated | FY 2007 Obligated | FY 2008 Obligated | FY 2009 Enacted | FY 2010 Request |
| Appropriated Resources | \$18,291 | \$19,649 | \$23,103 | \$21,520 | \$21,911 |
| Reimbursable Resources | \$0 | \$0 | \$141 | \$0 | \$113 |
| Total Resources | \$18,291 | \$19,649 | \$23,244 | \$21,520 | \$22,024 |

| | | | | | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Budget Activity Total | \$18,291 | \$19,649 | \$23,244 | \$21,520 | \$22,024 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|-----------------|--|---------|---------|---------|---------|---------|
| | | Actual | Actual | Actual | Target | Target |
| Collections | Percentage collected electronically of total dollar amount of Federal government receipts (%) (Oe) | 79 | 79 | 80 | 80 | 80 |
| Collections | Unit cost to process a federal revenue collection transaction (\$) (E) | 1.10 | 1.19 | 1.20 | 1.27 | 1.25 |

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

Description of Performance: In FY 2008, FMS collected a record \$3.2 trillion through a network of more than 9,000 financial institutions. The majority of the dollar amounts of FMS collections were made electronically – 80 percent of the \$3.2 trillion collected. Approximately 56 percent of the transactions in FY 2008 were made electronically. In FY 2008, taxpayers paid more than \$2.1 trillion using EFTPS, just slightly higher than FY 2007 which correlates to an increase of 9 percent in the number of payments, to over 98 million. FMS stepped up its efforts in FY 2008 to work with Federal agencies to promote the use of electronics in the collections process and assists agencies in converting collections from paper to electronic media.

3C – Debt Collection (*\$93,397,000 from reimbursable programs*): FMS collects 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 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 on improving debt management, and referrals to the Department of Justice.

In FY 2010, FMS will continue to enhance FedDebt, a comprehensive system that integrated FMS' previous collection tools: Cross-Servicing and the Treasury Offset Program (TOP). The TOP FedDebt function 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 includes use of 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, and use of private collection agencies.

FedDebt, which integrates the payment offset and cross-servicing applications, provides FPAs with batch and online capabilities for all users, via a single sign-on interface and will employ a common file format for submitting Cross-Servicing or TOP debts. FedDebt provides a single platform for debt business applications, a single entry portal, a web-based customer interface, and a single database for reporting. FedDebt eliminates many labor-intensive processes and hard-copy data exchanges for Federal agency customers and service partners. FMS will continue developing FedDebt by implementing a service-oriented architecture.

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. The Defense Finance and Accounting Service is currently in the process of levying civilian salaries. In addition, the Centers for Medicare and Medicaid Services offset program will begin in early 2010, as will the Railroad Retirement Board levy program. The Postal Service is also scheduled to begin taking vendor payment offsets and levies in late 2009. In addition, enhancements of collection tools such as Administrative Wage Garnishment and Debt Check, an online database used to assist agencies in barring delinquent debtors from obtaining new loans or loan guarantees, will improve program performance.

3.2.3 – Debt Collection Budget and Performance Plan

| Debt Collection Budget Activity | | | | | |
|---------------------------------|----------------------|----------------------|----------------------|--------------------|--------------------|
| Resource Level | FY 2006 Obligated | FY 2007 Obligated | FY 2008 Obligated | FY 2009 Enacted | FY 2010 Request |
| Appropriated Resources | \$5,393 | \$0 | \$0 | \$0 | \$0 |
| Reimbursable Resources | \$28,312 | \$67,611 | \$74,705 | \$86,247 | \$93,397 |
| Total Resources | \$33,705 | \$67,611 | \$74,705 | \$86,247 | \$93,397 |

| | | | | | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Budget Activity Total | \$33,705 | \$67,611 | \$74,705 | \$86,247 | \$93,397 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|

| Budget Activity | Performance Measure | FY 2006 Actual | FY 2007 Actual | FY 2008 Actual | FY 2009 Target | FY 2010 Target |
|-----------------|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Debt Collection | Amount of delinquent debt collected per \$1 spent (\$) (E) | 39.97 | 53.55 | 54.82 | 43.00 | 43.00 |
| Debt Collection | Amount of delinquent debt collected through all available tools (\$ billions) (Ot) | 3.34 | 3.76 | 4.41 | 3.90 | 3.70 |
| Debt Collection | Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral (%) (Ot) | 95 | 100 | 99 | 97 | 97 |

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

Description of Performance: In FY 2008, FMS collected a record \$5.9 billion in delinquent debt, including \$1.5 billion from Economic Stimulus payment offsets, which exceeded our FY 2008 target of \$3.4 billion. The amount collected includes \$2.8 billion in past due child support, \$2.3 billion in Federal non-tax debt, and over \$778 million in Federal tax levies and state tax debt offsets. Debt referrals from creditor agencies were at 100 percent of eligible debt at the end of FY 2008. As a result of the continued program improvements, collections have steadily increased to more than \$37.4 billion since the enactment of the Debt Collection Improvement Act of 1996. In calendar year 2008, the Internal Revenue Service referred an additional \$45.4 billion of tax debts for continuous levy, a 17 percent increase over calendar year 2007.

3D – Government-wide Accounting and Reporting (\$71,826,000 from direct appropriations and \$4,123,000 from reimbursable programs): 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 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. 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, OMB and the banking community. Once completed, this program, the Government-wide Accounting (GWA) Modernization Program, will

comprehensively replace current government-wide accounting functions and processes that are both internal and external to FMS. In FY 2009 and beyond, FMS will continue working with FPAs to roll-out the new GWA system for the reporting of payments, collections and intra-governmental collection and payment transactions. The new system 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 eliminate duplicate reporting and reconciliation burdens on 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 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, Central Reporting Team as a forum to discuss 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.
- Organized a General Fund Team to analyze intra-governmental activity that must be reported to offset agency reporting with the General Fund of the United States Treasury.
- Improving the two Reconciliation Statements in the FR that reconcile Net Operating Cost to Cash.
- Strengthening internal controls over the process for preparing the FR.

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

In FY 2010, FMS will continue moving forward on the Financial Information and Reporting Standardization (FIRST) initiative. This initiative integrates budget and financial reports from FPAs. FIRST will improve the consistency of the budgetary and proprietary accounting data recorded in agency financial statements and reported to FMS

through its trial balance. FIRST is designed to provide authoritative information, contained in Treasury’s central accounting system, to the agencies, to facilitate the reconciliation process for specific intra-governmental transactions.

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

| Government-wide Accounting and Reporting Budget Activity | | | | | |
|--|----------------------|----------------------|----------------------|--------------------|--------------------|
| Resource Level | FY 2006 Obligated | FY 2007 Obligated | FY 2008 Obligated | FY 2009 Enacted | FY 2010 Request |
| Appropriated Resources | \$67,338 | \$64,954 | \$72,420 | \$70,548 | \$71,826 |
| Reimbursable Resources | \$0 | \$1,122 | \$726 | \$3,179 | \$4,123 |
| Total Resources | \$67,338 | \$66,076 | \$73,146 | \$73,727 | \$75,949 |

| | | | | | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Budget Activity Total | \$67,338 | \$66,076 | \$73,146 | \$73,727 | \$75,949 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|--|---|---------|---------|---------|---------|---------|
| | | Actual | Actual | Actual | Target | Target |
| Government wide Accounting and Reporting | Percentage of Government-wide accounting reports issued accurately (%) (Oe) | 100 | 100 | 100 | 100 | 100 |
| Government wide Accounting and Reporting | Percentage of Government-wide accounting reports issued timely (%) (E) | 100 | 100 | 100 | 100 | 100 |
| Government wide Accounting and Reporting | Unit cost to manage \$1 million dollars of cash flow (\$) (E) | 8.50 | 10.36 | 8.96 | 12.38 | 11.77 |

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 accurately and timely. For the fifth consecutive year, FMS released the *Financial Report of the United States Government* (FR) 75 days after the fiscal year-end. In FY 2007, Government Accountability Office (GAO) issued an unqualified opinion on the 2007 Statement of Social Insurance and acknowledged and noted improvements with regard to consistency with agency information in the Balance Sheet the Statement of Net Cost and in the note disclosures that are directly linked to the amounts on these principal financial statements. They also acknowledged the progress made in conforming with GAAP and in the development and implementation of corrective action plans and milestones for certain internal control weaknesses.

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

<http://www.treasury.gov/offices/management/dcfo/accountability-reports/>

Section 4 – Supporting Materials

4A – Human Capital Strategy Description

FMS' strategic management of human capital is consistent with its mission, vision and priorities supporting the 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. FMS 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 FMS' mission, goals, organizational objectives, and is integrated into the 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. It has a performance management system and awards program that effectively holds employees accountable, links individual/team/unit performance to organizational goals and desired results.
- **Diversity:** FMS demonstrates its commitment to diversity by recognizing the contributions of all employees and by understanding the strengths that arise from the broad range of backgrounds, cultures, customs, and beliefs. FMS has processes in place to sustain diversity and to address under-representation particularly in mission-critical occupations and leadership positions.
- **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. 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 to determine whether the position should be back-filled, the FTE be redirected as appropriate, or the FTE be eliminated. This is how FMS counters the possibility of either a surplus or deficiency of staff in certain job occupations.

Through FY 2010, 22 percent of FMS' current employees are eligible for Optional Retirement and 41 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 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. Government collections are outsourced to financial institutions and Federal Reserve Banks who serve as financial and fiscal agents of the Treasury Department.

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 established to ensure a diverse workforce:

- SES candidate program was developed to create a diverse group of future senior executives.
- Special emphasis programs were expanded and Equal Employment Opportunity and diversity awareness training was instituted.
- Hispanic recruitment was enhanced through the increased use of Hispanic Associations of Colleges and Universities interns, which created a gateway for new Hispanic employees.

In addition, FMS has increased participation in the Washington Internship for Native Students program as well as the Department of Labor's Workforce Recruitment Program for students with disabilities. FMS continues to use the Federal Career Internship Program 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 mission.

4.1 – Summary of IT Resources Table

Dollars in Thousands

| Information Technology Investments (in \$ Thousands) | Budget Activity | FY 2007 & Earlier Enacted | FY 2008 Enacted | % Change from FY07 to FY08 | FY 2009 President's Budget | % Change from FY08 to FY09 | FY 2010 Requested | % Change from FY09 to FY10 |
|--|----------------------------|---------------------------------|--------------------|-------------------------------|----------------------------------|-------------------------------|----------------------|-------------------------------|
| Automated Standard Application for Payments (ASAP) | Payments | 11,115 | 2,234 | -79.9% | 2,422 | 8.4% | 2,340 | -3.4% |
| Debt Management Accounting System (DMAS) | Debt Collection | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Deposit and Data Management (DDM) | Collections | 1,886 | 1,226 | 0.0% | 1,276 | 0.0% | 1,310 | 2.7% |
| FMS EFTPS (Electronic Federal Tax Payment System) | Collections | 1,234 | 638 | N/A | 659 | 3.3% | 682 | 3.5% |
| FedDebt | Debt Collection | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Financial Information and Reporting Standardization (FIRST) | Government-wide Accounting | 7,491 | 6,039 | -19.4% | 7,342 | 21.6% | 8,315 | 13.3% |
| Government-Wide Accounting and Reporting Modernization (GWA) | Government-wide Accounting | 96,072 | 10,011 | -89.6% | 9,595 | -4.2% | 9,785 | 2.0% |
| International Treasury Services (ITS.gov) | Payments | 1,650 | 332 | 0.0% | 341 | 2.7% | 351 | 2.9% |
| Internet Payment Platform (IPP) | Payments | 824 | 300 | 0.0% | 308 | 2.7% | 318 | 3.2% |
| Intra-Governmental Payment and Collection (IPAC) | Government-wide Accounting | 4,604 | 500 | -89.1% | 552 | 10.4% | 568 | 2.9% |
| PACER | Payments | 13,459 | 2,489 | -81.5% | 2,631 | 5.7% | 2,714 | 3.2% |
| Pay.gov | Collections | 2,082 | 545 | -73.8% | 569 | 4.4% | 573 | 0.7% |
| Payment Application Modernization (PAM) | Payments | 25,221 | 12,085 | -52.1% | 12,123 | 0.3% | 12,858 | 6.1% |
| Secure Payment System (SPS) | Payments | 20,332 | 4,431 | -78.2% | 3,901 | -12.0% | 3,988 | 2.2% |
| Treasury Check Information System (TCIS) | Payments | 6,376 | 836 | -86.9% | 854 | 2.2% | 871 | 2.0% |
| Subtotal, Major IT Investments | | 192,346 | 41,666 | -78.3% | 42,573 | 2.2% | 44,673 | 4.9% |
| Non-Major IT Investments ^{2/} | | 16,145 | 7,286 | -54.9% | 8,701 | 19.4% | 7,207 | -17.2% |
| Infrastructure Investments ^{3/} | | 40,112 | 20,056 | -50.0% | 23,200 | 15.7% | 25,369 | 9.3% |
| Enterprise Architecture | | 1,800 | 1,400 | -22.2% | 1,400 | 0.0% | 1,370 | -2.1% |
| Total IT Investments ^{4/} | | 250,403 | 70,408 | -71.9% | 75,874 | 7.8% | 78,619 | 3.6% |

^{1/} ITS.gov was changed from a non-major to a major investment in FY 2009

^{2/} In FY 2009, the number of Non-Majors reporting increased to 17 investments.

^{3/} Figures provided for FY 2009 include funding amounts for the Treasury Web Application Infrastructure (TWA) platform that were not included in previous years.

^{4/} Infrastructure reporting requirements changed in FY 2009, which resulted in changes to FY 2009 and FY 2010 figures.

4B – Information Technology Strategy

The FMS IT Strategy addresses all bureau information resource management. It focuses on technology and how it supports FMS' Strategic Planning Goals. The FMS Strategic Plan is a long-range plan that supports the economic policies and mission of the Department of the Treasury for payments, collections, government-wide accounting and reporting, and collection of delinquent debt.

FMS has an established governance process that selects, evaluates, and monitors new and existing IT investments. FMS IT Governance Process complies with Department of the Treasury and OMB's requirements for Capital Planning and Investment Control, and Enterprise Architecture. Before projects are started or a major change implemented, there is a formal approval process beginning with the Division Information Officers (DIO) Council. Each project provides the DIO Council with project business case documentation, which describes the project, documents benefits, shows start-up costs, full life-cycle costs, other systems impacted, programmatic impact, and platforms that will be used. Costs include all project costs including contracts, FTE, hardware, and software. The FMS governing bodies, including the DIO Council and Architecture Review Board (ARB), review each investment to ensure compliance with FMS' target architecture, use of existing infrastructure, and shared resources (e.g. document imaging and Single Sign On).

At least once a year, each FMS project is presented to the DIO Council. Current cost, schedule, and performance goals status for the project is presented. Any project that is not within acceptable cost, schedule, and performance goals must provide the DIO Council with a project remediation plan detailing the steps it plans to implement to get the investment back within acceptable ranges. The project is also required to provide the DIO Council with quarterly cost, schedule, and performance updates.

The FMS process includes recommendations by the DIO council for approval/disapproval of all IT investments and major enhancements. The FMS executive board (EB) must also approve all large scale IT projects and it conducts quarterly reviews of all FMS investments with Exhibit 300s.

4.2 – Program Assessment Table

| |
|--|
| Program Name: Debt Collection |
| OMB Major Findings/Recommendations |
| <ol style="list-style-type: none">1. Develop a more ambitious long-term performance measure.2. Set interim targets and describe interim actions necessary to achieve the long-term performance measure.3. Level fund the debt collection program for FY 2005.4. Propose legislation to increase and enhance debt collection opportunities. |
| Bureau Actions Planned or Underway |
| <ol style="list-style-type: none">1. FMS establishes annual performance measures for collections and referrals of debt by agencies. Listed are examples of collection tools and initiatives used by FMS to achieve long-term measures:<ul style="list-style-type: none">• Administrative Wage Garnishment (AWG)• DebtCheck• Continuous Agency Outreach• President's Management Agenda (PMA)• Receivables Reporting2. A Federal Contractor Tax Compliance Task Force consisting of FMS, IRS, and the Center for Medicare and Medicaid Services is examining the issue of how best to incorporate CMS payments to Medicare providers into the Federal Payment Levy Program.3. FMS supports numerous legislative proposals which will enable FMS to significantly enhance our debt collection opportunities. Listed are proposals passed into Law in 2008:<ul style="list-style-type: none">• Offset and Levy of CMS (Medicare) Payments: The Medicare bill, H.R. 6331, P.L. 110-275, allows FMS to offset CMS payments for nontax and child support debts and sets a timetable for payment levy.• Ten-Year Statute of Limitations for Offset: The Farm Bill, contains the elimination of the 10-year statute of limitations for offset of nontax payments.• Offset to Collect Unemployment Compensation Debts: The SSI Extension bill, H.R. 2608, P.L. 110-328, contains a provision to allow offset of federal tax refunds to collect past due state unemployment compensation debts resulting from4. The debt long-term measure was evaluated and updated as part of FMS' update to its Strategic Plan. The Strategic Plan set a target of collecting \$8 billion per year by 2018. In FY 2008 FMS collected a record \$4.41 billion. For FY 2009, FMS has a target of \$3.5 billion in collections and in FY 2010 \$3.7 billion. |

Program Name: Government-wide Accounting and Reporting

OMB Major Findings/Recommendations

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.

Bureau Actions Planned or Underway

1. FMS has developed a baseline for the efficiency performance measure that measures the unit cost to manage one million dollars of cash flow.
2. FMS will continue to move forward with the two major initiatives which will modernize long standing Federal accounting processes and provide agencies with methodologies and tools to improve the accuracy and consistency of their financial data:

- The Government-wide Accounting (GWA) Modernization project is a multi-year project which will replace existing government-wide accounting functions and processes. FMS' goal is to provide applications and tools that allows agencies to convert to the new process when their systems are ready. We will also provide a tool that allows agencies to phase in GWA processing and use an incremental approach to allow for efficient planning and scheduling of resources and testing in manageable parts. FMS will be working with non-Treasury disbursed agencies to develop a process to allow GWA reporting of Intra-Governmental Payment and Collection (IPAC) transactions, as well as continue to work with FMLoB to implement common government accounting classification.

- FMS will continue the Financial Information and Reporting Standardization (FIRST) project which will integrate budget and financial reports from Federal Program Agencies and continue with the development for this initiative.

3. FMS will continue working closely with OMB and Federal agencies to address unreconciled intra-governmental transactions. FMS requires quarterly intragovernmental data from the agencies and compiles reports that match intra-governmental differences for the agencies to better reconcile their accounts. Treasury has taken the lead to eliminate intra-governmental differences resulting from fiduciary transactions and FMS is doing the same for other intra-governmental transaction categories. The results of these efforts have been promising, but will not be verified until the agencies submit their data for the FR compilation process. FMS works closely with the Central Reporting Transformation Team (CRTT) and a sub-group (the Intra-gov Buy/Sell team) to improve the data exchanged between agencies when they enter into a intragov buy/sell transaction.

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

- Working closely with agencies to reconcile differences between agency budgetary and proprietary reporting that effects the FR.
- 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(CFO) Council, Central Reporting Team as a forum to discuss 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.
- Organized a General Fund Team to analyze intragovernmental activity that must be reported to offset agency reporting with the General Fund.
- Improving the two Reconciliation Statements in the FR that reconcile Net Operating Cost to Cash.
- Strengthening internal controls over the process for preparing the FR.

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

For a complete list of program results visit the following website:

<http://www.whitehouse.gov/omb/expectmore/all.html>