Overview

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 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	FY 2010 to FY 2012 $ Change	% Change
Payments	$150,395	$142,537	$132,868	($17,527)	(11.7%)
Collections	$21,911	$24,267	$21,265	($646)	(2.9%)
Government-wide Accounting and Reporting	$71,826	$77,328	$64,672	($7,154)	(10.0%)
Total Appropriated Resources	**$244,132**	**$244,132**	**$218,805**	**($25,327)**	**(10.4%)**
Total FTE	**1,500**	**1,500**	**1,200**	**(300)**	**(20.0%)**

FY 2012 Priorities

- Provide timely, accurate, and efficient disbursement of federal government 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.
- Emphasize conversion from paper to electronic transactions.
- Be a great place to work.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

FMS provides critical and essential payment, collections, debt collection and government-wide accounting and reporting functions essential to the successful operation of the federal government. These functions are far reaching. This includes issuing over 70 million benefit payments distributed monthly to the American public, the collection of all federal revenues that fund government operations and programs, processing and collecting of delinquent debts owed to the federal government including collection of past due child support, and providing financial reports to varied stakeholders. FMS touches almost every American and federal agency providing these very important and essential services.

FMS' vision is to be characterized by three real and recognized qualities in everything we do - exceptional integrity, quality, and responsiveness.

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. In ensuring confidence in the nation's financial system, FMS executes its role of managing the nation's finances by collecting money due to the United States, making its payments, and performing central accounting functions.

FMS' Strategic Goals, as reflected in the FY 2012 priorities, are to:

- Provide timely, accurate, and efficient disbursement of federal government 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 is responsible for certain key governmentally controlled resources which are essential to the operation of the economy and government. While 100 percent of FMS' operational functionality comprises the processing and safeguarding of public funds, FMS devotes approximately 75 percent of its direct salary and expense appropriation to ensuring the viability of the National Financial Critical Infrastructure. Specifically, three FMS programs – payments, collections, and cash reporting, which are part of the infrastructure. FMS is required to ensure these activities are fully operational at all times.

The National Critical Infrastructure was established as a result of the Homeland Security Act of 2002. Critical Infrastructure are the assets, systems, and networks, whether physical or virtual, so vital to the United States that their incapacitation or destruction would have a debilitating effect on security, national economic security, public health or safety, or any combination thereof. Under the Homeland Security Presidential Directive 7, the Department of the Treasury was identified as a key sector-specific area for the Banking and Finance Sector. As part of the National Financial Critical Infrastructure, FMS provides critical services to millions of United States taxpayers, FPAs, and other customers. It embodies Treasury's leadership strategy to create value for the American people, provides responsible and effective stewardship over the government's finances, and focuses on quality service, results and innovation. FMS operates the largest tax collection system in the world and issues more than one billion payments annually; therefore, the impact of its programs on the economy and the public is significant. FMS' activities touch millions of citizens and virtually every FPA and state government across the country.

As the government's financial manager, FMS oversees a daily cash flow in excess of $94 billion, disbursing over $2.3 trillion in non-defense payments to more than 100 million people. 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 $2.94 trillion in FY 2010. FMS provides cash management guidance to FPA's, maintains the government's accounts, and compiles and publishes government-wide financial information used to monitor the government's financial status. Finally, FMS serves as the government's central delinquent debt collection agency.

1B – Program History and Future Outlook

FMS' budget reflects a strong commitment to fiscal stewardship of taxpayers funding. Even though the FY 2011 and FY 2012 budgets represent a 10% reduction from FY 2010 levels, FMS is committed to providing continued high service levels to our customers. We will fulfill this objective due to FMS' innovative modernization efforts which have been implemented and finalized over the past years.

FMS' FY 2012 budget directly addresses the Department's high priority performance goal of significantly increasing the number of paperless transactions with the public. It also addresses the Administration's priority of "going green" and consolidating data centers.

FMS supports Treasury's paperless initiative, which requires all *new* enrollees in federal benefit programs (*e.g.*, Social Security Administration) to receive payments electronically by May 1, 2011. Anyone currently receiving checks would be required to switch to electronic payment by March 1, 2013. A second important component of the all-electronic Treasury initiative requires all businesses currently required to use a Federal Tax Deposit (FTD) coupon to pay electronically beginning January 1, 2011.

In response to a request from the Office of the Fiscal Assistant Secretary, the Commissioners of FMS and the Bureau of the Public Debt (BPD) determined that they could improve the efficiency and effectiveness of their collective information technology (IT) infrastructures. As a result, FMS, in partnership with BPD, initiated a project to consolidate the data centers across the two bureaus to help achieve the Secretary's objective of increasing the utilization and efficiency of combined IT assets, while reducing technology costs. This effort also conforms to the Office of Management and Budget's (OMB) Data Center Consolidation Directive which requests that all federal agencies review IT spending, placing emphasis on consolidating and sharing IT services to reduce expenditures. Five data centers will be consolidated into two shared by both bureaus with one acting as a back-up to the other. This effort also includes the creation of a single corporate governing body, in-sourcing of select contractor functions, and consolidation of application development methodologies and associated infrastructure; resulting in a more "green" approach to the delivery of IT services.

FMS continues to work toward increasing operational efficiencies that streamline our four main activities of payments, collections, government-wide accounting and reporting, and debt collection. Given FMS' recent history of cost reduction, it is clear that FMS is a conscientious steward of taxpayer money. These cost saving measures do not inhibit our ability to deliver the products and services that are vital to our nation's economic security.

FMS continues to work toward increasing operational efficiencies and by implementing these initiatives will greatly facilitate the ongoing effort to modernize the Federal government's payment, collections, debt collection and central accounting and reporting systems. The end result will be greater efficiency, cost savings, and data quality improvements throughout government.

Payments

The Payments program, a component of the National Financial Critical Infrastructure, develops and implements federal payment policies and procedures, issues and distributes payments, encourages check recipients to convert to electronic payments, 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 2010, FMS issued more than one billion non-Defense payments worth over $2.3 trillion to a wide variety of recipients, such as those who receive Social Security benefits, veteran's benefits, and tax refunds. Eighty-two percent of all payments disbursed were issued via EFT.

Streamlining the payments processes while continually investing in state-of-the-art technology is integral to 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 over one billion federal payments annually. Ultimately, PAM will be a single application that will generate check, wire transfer, and ACH payments for FPAs, including the Social Security Administration, Internal Revenue Service, the Department of Veterans Affairs, and others.

In FY 2012, FMS will continue to expand the use of electronic media to deliver federal payments. Electronic payments are safer, more secure, and more reliable than paper checks. In addition, electronic payments decrease the number of paper checks issued, minimizing costs and inefficiencies associated with the delivery of non-electronic benefits. As FMS continues to move to an all-electronic Treasury, the bureau will realize savings.

Collections

The Collections program, also part of the nation's Financial Critical Infrastructure, collects revenues needed to operate the federal government. In FY 2010, FMS collected $2.94 trillion, of which slightly more than 85 percent was collected electronically, through a network of more than 8,000 financial institutions. 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. Under the Paperless Treasury Initiative, all businesses currently using a FTD coupon will be required to pay electronically effective January 1, 2011.

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 2012, 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.

FMS will improve collections reporting, supplying the latest information on deposits and the details of collection transactions to federal agencies via a single system. As a transaction broker, data repository, and reporting solution, this single system will greatly improve the way agencies collect, analyze, and redistribute financial transaction information. The system will eliminate redundancies and disconnects in the government's current 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.

Government-wide Accounting

The Government-wide Accounting and Reporting program maintains the federal government's accounts for its monetary assets and liabilities by operating and overseeing the government's central accounting and reporting system. This includes daily cash forecasting and reporting (daily treasury Statement), which are components of the Nation's Financial Critical Infrastructure. On a monthly basis, FMS reports the budget surplus/deficit through the release of the Monthly Treasury Statement (MTS – the monthly public source of budgetary results). FMS releases the *Financial Report of the United States Government (FR),* which reports the financial condition of the government using the accrual basis of accounting. The information in the FR complements the traditional cash basis budget reporting done at FMS that provides the authoritative information on the government's budget surplus/deficit.

In FY 2012, FMS in conjunction with the Office of the Fiscal Assistant Secretary, will migrate the legacy system that captures data related to the daily operating cash accounting function (CASH TRACK), to a more efficient web-based system. In addition, the two organizations are developing a more robust and integrated Future Forecasting System (FFS) to replace the current spreadsheet driven cash forecasting system.

Currently, FMS requires the agencies to classify their transactions on a monthly basis to the proper Treasury Account. That data is used to update the central records for fund balance with treasury, and to compile the MTS report in the printed form. FMS initiated a modernization effort (Government-wide Accounting Modernization Project (GWAMP) to classify transactions in real-time and leverage technology to implement a central accounting system that would accommodate the real-time classification of transactions. In FY 2010, FMS completed the build out of its central accounting infrastructure through GWAMP. The completion of this Program provides for improved exchange of financial information among FMS, Federal Agencies, and OMB. The infrastructure allows for more efficient government-wide accounting functions and processes that are both internal and external to FMS. The new process, 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 eliminate duplicate reporting and reconciliation burdens on agencies. In addition, agencies will have better tools for reporting financial information and access to daily account statements for monitoring the status of their financial information in Treasury's central accounting system. While FMS will realize modest savings from this program, the most significant savings will be government-wide 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.

With the infrastructure complete, FMS has ended the GWAMP. However, before FMS can decommission the legacy central accounting system (STAR) and other supporting applications, FMS has to migrate the reporting capabilities (MTS and Combined Statement) and the General Ledger from STAR to the new Central Accounting System. Part of the General Ledger initiative is an effort to implement the accounting entity for the General Fund (a distinct subset of the General Ledger Transactions) for Financial Reporting and FR compilation purposes. These efforts have been reconstituted as individual projects under a blanket name of STAR Transition, and are scheduled to be complete in FY 2012.

The Financial Information Reporting Standardization (FIRST) initiative will also leverage technology to replace inefficient reporting processes with a streamlined reporting process that will reduce the overall footprint for Financial Reporting across the Federal Government. The FIRST initiative is comprised of two financial reporting systems. One of those systems, the Government-wide Financial Report System (GFRS) is complete and is used in the FR compilation process. The other system, the Government-wide Treasury Account Symbol (GTAS) is currently being developed. GTAS will replace legacy systems (FACTS I, FACTS II, IFCS, IRAS data collection) that require agencies to submit four (4) different subsets of Trial Balance Data to FMS. GTAS will require a single set of Trial Balance data for each Treasury account reported on a quarterly basis. FIRST is scheduled to be completed and go live in January of 2013.

These initiatives will allow us to decommission obsolete legacy systems and will address two material weakness regarding intra-governmental eliminations and the compilation of the *Financial Report of the United States Government*. The general fund/general ledger initiative will directly impact the material weaknesses associated with intra-governmental eliminations and compilation of the *Financial Report of the United States Government*.

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), as amended, and related legislation. In FY 2010, FMS collected $5.45 billion in delinquent debt. Debt referrals from creditor agencies were at 100 percent of eligible debt at the end of FY 2010. As a result of FMS' continued program improvements, cumulative debt collections since the enactment of the DCIA are $48.2 billion through FY 2010.

In FY 2012, FMS will continue to enhance FedDebt, a comprehensive system that integrated FMS' existing collection programs: the Treasury Offset Program (TOP) and Cross-Servicing. TOP compares the names and Taxpayer Identifying Numbers (TINs) of debtors with the names and TINs on state and federal payment files. If there is a match, the federal payment is reduced, or "offset," to satisfy the overdue debt. Cross-Servicing includes the 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 (IRS), and use of private collection agencies. FMS will continue developing FedDebt by implementing a centralized debt data repository. In addition, in an effort to more aggressively pursue delinquent debt, FMS is investing in technology that will provide better analytics, debt scoring, and skip tracing tools. Finally, FMS is converting its Austin facility from a payments processing center to a debt collection call center. These investments will allow FMS to realize additional opportunities to increase debt collection and improve efficiencies.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Financial Management Service	FTE	Amount
FY 2010 Enacted	**1,500**	**$244,132**
FY 2011 Annualized CR Level	**1,500**	**$244,132**
Changes to Base:		
Adjustment to Reach Policy Level:	(125)	($10,537)
Adjustment to Reach FY 2011 President's Policy	(125)	($10,537)
Maintaining Current Levels (MCLs):	-	$2,000
Maintaining Current Levels	-	$2,000
Efficiencies, Savings & Base Reductions:	(175)	($11,690)
Elimination of Bureau of Economic Analysis Interagency Agreement	-	($175)
Reduce Systems Development	-	($1,400)
Paperless Treasury / Payment Center Repurposing	(49)	($6,297)
Data Center Consolidation	(121)	($685)
Migration of Human Resources Operations to Shared Service Provider	(5)	($533)
Operational Efficiencies & Space Consolidation	-	($2,600)
Subtotal FY 2012 Changes to Base	(300)	($20,227)
Total FY 2012 Base	**1,200**	**$223,905**
Program Changes:		
Program Decreases:	-	($5,100)
FIRST and GWAMP Project Savings	-	($5,100)
Subtotal FY 2012 Program Changes	-	($5,100)
Total FY 2012 Request	**1,200**	**$218,805**

2A – Budget Increases and Decreases Description

Adjustment to Reach FY 2011 President's Policy Level…..……+$10,537,000 / +125 FTE

Funds are adjusted from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

Maintaining Current Levels (MCLs) ....+$2,000,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies, equipment and health benefits and the increase in Federal Employee Retirement System participation. No inflation adjustment is requested for pay in FY 2012.

Efficiencies, Savings, and Reductions ....-$11,690,000 / -175 FTE

Paperless / Payment Center Repurposing -$6,297,000/ -49 FTE

In FY 2012, the Paperless Treasury Initiative will not only save the government money through consumable savings, but will also allow FMS to move from four payment centers to three. The repurposing of the Austin Financial Center provides FMS the opportunity to expand its delinquent debt activity by targeting more of the delinquent debt referred to FMS for collection.

Data Center Consolidation -$685,000 / -121 FTE

FMS, along with BPD, will consolidate five IT data centers to two that will produce savings as a result of reductions in energy consumption, equipment, software, and staff. The consolidation of Fiscal Service data centers includes the transferring of staff from FMS to the Treasury Franchise

Fund. The salary and benefit costs of those FTE will be used to pay for the resulting new contract with the Treasury Franchise Fund.

Migration of Human Resources Operations to Shared Service Provider -$533,000 / -5 FTE
FMS examined the feasibility of migrating its human resources program to a shared service provider. Based on the analysis, FMS elected to transition its HR operational functions to the Administrative Resource Center of the Bureau of the Public Debt. This migration is expected to improve the quality and cost-effectiveness of FMS' HR operational processes. This reduction will offset the full cost of the shared services agreement with full implementation in 2012.

Elimination of Bureau of Economic Analysis Interagency Agreement -$175,000 / +0 FTE
FMS has an interagency agreement with the Department of Commerce's Bureau of Economic Analysis for statistical analysis required each year for the International Monetary Fund. However, FMS no longer has programs or activities that benefit from this expense. Elimination of this service would not hamper FMS efforts.

Reduce Systems Development -$1,400,000 / +0 FTE
FMS will reduce funding related to low priority program system development and maintenance.

Operational Efficiencies & Space Consolidation -$2,600,000 / +0 FTE
FMS will identify operational efficiencies gained through improved process and modernization efforts. Additionally, in coordination with GSA, FMS will work to consolidate space and reduce the FMS' footprint in the Hyattsville Center to accommodate changes in staffing and Data Center consolidation.

FIRST and GWAMP Project Savings -$5,100,000 / +0 FTE
In accordance with the principles for the acquisition and management of new financial systems outlined in OMB Memorandum 10-26, FMS at the direction of OMB, will not proceed with new development on these projects in FY 2012. FMS will use this as an opportunity to recast and reframe these modernization efforts which will allow for the time necessary to consider the best path forward for GWAR modernization.

2.2 – Operating Levels Table

Dollars in Thousands

Financial Management Service	FY 2010 Enacted	FY 2011 Annualized CR Level	Proposed Reprogrammings	FY 2011 Proposed Operating Level	FY 2012 Request
FTE	**1,500**	**1,500**	**-**	**1,500**	**1,200**
Object Classification					
11.1 - Full-time permanent	$127,561	$121,605	$0	$121,605	$106,725
11.3 - Other than full-time permanent	$1,540	$1,540	$0	$1,540	$1,540
11.5 - Other personnel compensation	$3,081	$5,081	$0	$5,081	$5,081
11.8 - Special personal services payments	$3,603	$3,603	$0	$3,603	$3,603
12 - Personnel benefits	$31,703	$29,999	$0	$29,999	$26,289
13 - Benefits for former personnel	$180	$180	$0	$180	$180
21 - Travel and transportation of persons	$1,511	$1,511	$0	$1,511	$1,511
22 - Transportation of things	$278	$278	$0	$278	$278
23.1 - Rental payments to GSA	$13,635	$14,708	$0	$14,708	$12,313
23.2 - Rental payments to others	$677	$677	$0	$677	$677
23.3 - Communication, utilities, and misc charges	$10,455	$9,942	$0	$9,942	$9,942
24 - Printing and reproduction	$505	$505	$0	$505	$505
25.1 - Advisory and assistance services	$6,062	$6,062	$0	$6,062	$6,062
25.2 - Other services	$18,574	$23,674	$0	$23,674	$10,109
25.3 - Other purchases of goods and services from Govt. accounts	$2,795	$2,795	$0	$2,795	$15,080
25.4 - Operation and maintenance of facilities	$505	$505	$0	$505	$405
25.7 - Operation and maintenance of equip	$8,085	$8,085	$0	$8,085	$8,085
26 - Supplies and materials	$3,636	$3,636	$0	$3,636	$2,794
31 - Equipment	$9,191	$9,191	$0	$9,191	$7,071
32 - Land and structures	$505	$505	$0	$505	$505
42 - Insurance claims and indemnities	$50	$50	$0	$50	$50
Total Budget Authority	**$244,132**	**$244,132**	**$0**	**$244,132**	**$218,805**
Budget Activities					
Payments	$150,395	$142,537	$0	$142,537	$132,868
Collections	$21,911	$25,267	$0	$25,267	$21,265
Government-wide Accounting and Reporting	$71,826	$76,328	$0	$76,328	$64,672
Total Budget Authority	**$244,132**	**$244,132**	**$0**	**$244,132**	**$218,805**

2.3 – Appropriations Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2010 Obligations		FY 2010 Enacted		FY 2011 Annualized CR Level		FY 2012 Request		% Change FY 2010 to FY 2012	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Payments			963	$150,395	963	$142,537	713	$132,868	-25.93%	-11.65%
Collections			135	21,911	135	24,267	127	21,265	-6.16%	-2.95%
Gov. Accounting and Reporting			402	71,826	402	77,328	360	64,672	-10.45%	-9.96%
Subtotal New Appropriated Resources	0	$0	1,500	$244,132	1,500	$244,132	1,200	$218,805	-20.00%	-10.37%
Other Resources:										
Recoveries										
Offsetting Collections - Reimbursable			483	234,690	460	216,730	561	231,223	16.15%	-1.48%
Available multi-year/no-year funds										
Transfers In/Out										
Subtotal Other Resources	0	$0	483	$234,690	460	$216,730	561	$231,223	16.15%	-1.48%
Total Resources Available for Obligation	0	$0	1,983	$478,822	1,960	$460,862	1,761	$450,028	-11.20%	-6.01%

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY FINANCIAL MANAGEMENT SERVICE Federal Funds **SALARIES AND EXPENSES:** *For necessary expenses of the Financial Management Service, $218,805,000 of which not to exceed $4,210,000 shall remain available until September 30, 2014, for information systems modernization initiatives, and of which not to exceed $2,500 shall be available for official reception and representation expenses.*	

Exhibit 2B – Permanent, Indefinite Appropriations

Financial Agent Services Permanent, Indefinite Appropriation

Congress has given the Secretary of the Treasury 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. The services support many FMS programs such as Electronic Federal Tax Payment System (EFTPS), the Lockbox Networks, E-Commerce systems, and the deposit reporting and cash concentration system called CA$HLINK II. These and other programs are vital to FMS' strategic goals, the National 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 United States Code (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 2012 will be approximately $623 million, which includes $20 million for Government Sponsored Enterprise - Mortgage Backed Securities (GSE-MBS) administrative costs. Of this amount, approximately $80 million will be reimbursed from other government agencies and deposited into the General Fund.

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 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. Since the FRBs support many FMS program activities, 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 2012 will be approximately $329 million.

Table 2.4 – Permanent, Indefinite Appropriations

(Dollars in Thousands)

Permanent, Indefinite Appropriation	2010 Enacted	2011 Request	2012 Request
Federal Reserve Bank	$321,000	$321,000	$329,000
Financial Agent Services*	$633,000	$625,000	$623,000

* FY 2010, FY 2011, and FY 2012 include costs for the Government Sponsored Enterprise - Mortgage Backed Securities administrative costs of $36M, $20M, and $20M, respectively.

Note: Approximately $80M is reimbursed from other government agencies and deposited into the General Fund each year.

2C – Legislative Proposals

Debt Collection

Debt Collection – For further details on these proposals please see the Treasury Green book summarizing the Administration's tax legislative proposals.

Increase Levy Authority for Payments to Federal vendors with Delinquent Tax Debt

The Budget proposes a change to the Department of the Treasury's debt collection procedures that will increase the amount of delinquent taxes collected from Federal contractors. Through the Federal Payment Levy Program, the Treasury deducts (levies) a portion of a Government payment to an individual or business in order to collect unpaid taxes. Pursuant to the American Jobs Creation Act of 2004, Treasury is authorized to continuously levy up to 100 percent of payments to a Federal vendor for goods or services sold or leased to the Federal government if the vendor has an unpaid tax liability. However, the language contains a technical imperfection that has the unintended effect of limiting the levy to 15 percent for vendor payments made for the sale or lease of real estate or other types of property. The Budget proposal will allow Treasury to levy up to 100 percent of any payment due to a Federal vendor with unpaid tax liabilities.

Allow Offset of Federal Income Tax Refunds to Collect Delinquent State Income Taxes for Debtors Who Currently Reside in Other States

Under current law, federal tax refunds may be offset to collect delinquent state income tax obligations only if the delinquent taxpayer resides in the state collecting the tax. This proposal will allow FMS to offset federal income tax refunds to collect delinquent state tax obligations regardless of where the debtor resides.

Increase Levy Authority for Payments to Medicare Providers with Delinquent Tax Debt

The Budget proposes a change to the Department of the Treasury's debt collection procedures that will increase the amount of delinquent taxes collected from Medicare providers. Through the Federal Payment Levy Program, Treasury deducts (levies) a portion of a Government payment to an individual or business in order to collect unpaid taxes. Pursuant to the Medicare Improvements for Patients and Providers Act of 2008, Treasury is authorized to continuously levy up to 15 percent of a payment to a Medicare provider in order to collect delinquent tax debt. The Budget proposal will allow Treasury to levy up to 100 percent of a payment to a Medicare provider to collect unpaid taxes.

Section 3 – Budget and Performance Plan

This table lists all FY 2012 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan 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.treasury.gov/about/budget-performance/strategic-plan/Pages/index.aspx

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	% Change FY10 to FY12
Financial Information	75,949	81,543	69,084	-9.04%
Revenue Collected	115,421	105,722	118,515	2.68%
Payments	287,452	273,597	262,429	-8.71%
Total	**$478,822**	**$460,862**	**$450,028**	**-6.01%**

3A – Payments *($132,868,000 from direct appropriations and $129,561,000 from reimbursable programs):* FMS is responsible for managing and operating federal payment systems and for disbursing approximately 85 percent of all federal payments. It is comprised of a headquarters staff and Regional Financial Centers (RFCs). Major payments include: social security benefits, supplemental security income, federal pension benefits, veterans' compensation, railroad retirement pensions, and tax refunds. An electronic payment is an electronic funds transfer made by direct deposit via the Federal Reserve Bank's Automated Clearing House system to more than 28,000 member financial institutions nationwide. In FY 2010, the centers disbursed over one billion payments, totaling over $2.3 trillion dollars.

This activity also includes controlling and providing 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 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. It is important to note that 100 percent of funds devoted to the payments activity support the National Financial Critical Infrastructure.

FMS continues, through its Paperless Treasury Initiative, to encourage recipients to convert to electronic payment methods through public education programs, 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.

To help with this endeavor, FMS continues with a nationwide campaign called "Go Direct" to encourage current check recipients to switch to direct deposit. In five extremely successful years, the Go Direct Campaign has reached 5 million conversions, saving millions of dollars for the U.S. Treasury in years to come.

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. These programs are especially important as the government prepares for the huge increase in retiring baby boomers in the near future, and it is thus critical that FMS dramatically increase use of direct deposit for issuing benefit payments.

- *Direct Express® Debit MasterCard®* card offers the convenience and security of receiving benefit payments electronically for those who prefer a prepaid debit card or those who do not have a bank account. Instead of receiving a paper check, the benefit payment is automatically deposited into the recipient's Direct Express® card account on payment date. The card is currently available to Social Security, SSI, Veterans' Compensation and Pension, and Railroad Retirement Board benefit recipients, and FMS is optimistic that other benefit payments will be implemented in CY 2011. As of December 2010, more than 1.5 million beneficiaries signed up for the Direct Express® card.

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 smartcard is 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 through FY 2010, over 27 million EFT transactions with a dollar value in excess of $4.2 billion were processed via the SVC programs. In FY 2010 alone, the SVC programs collected over $1 billion through the processing of over 7.5 million EFT transactions.

- *Internet Payment Platform (IPP):* The IPP is a centralized, secure, Web-based application service that accepts, processes, and presents data from agencies and supplier systems related to all stages of electronic order-to-payment transactions: purchase orders, invoices, approvals, and ACH payment information, including aftermath activity such as partial payments, debt offsets and returns.

- *Payment Application Modernization (PAM):* The PAM project is an effort to replace the current mainframe-based software applications that are used to disburse approximately one billion federal payments annually. PAM is a single application that generates check, wire transfer, and ACH payments for FPAs, including Social Security, IRS, Veterans Affairs, and 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. In FY 2012, PAM will deploy an architecture refresh and data stage upgrade, continue converting FPAs to the PAM standard format, begin transition of remaining legacy applications who have not converted to the PAM standard format, and enhance usability and performance.

3.2.1 Payments Budget and Performance Plan

Payments Budget Activity					
Resource Level	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request
Appropriated Resources	$171,686	$147,717	$150,395	$142,537	$132,868
Reimbursable Resources	$130,853	$138,584	$137,057	$131,060	$129,561
Total Resources	**$302,539**	**$286,301**	**$287,452**	**$273,597**	**$262,429**
Budget Activity Total	**$302,539**	**$286,301**	**$287,452**	**$273,597**	**$262,429**

Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Percentage of Paper Check and Electronic Funds Transfer (EFT) Payments Made Accurately And On-Time (Oe)	100.0	100.0	100.0	100.0	100.0
Percentage of Treasury Payments and Associated Information Made Electronically (Oe)	79.0	81.0	82.0	83.0	85.0
Unit Cost For Federal Government Payments (E)	0.39	0.37	0.36	0.40	0.37
Number of Electron Payments (Thousands) (Ot)	793,832	827,643	801,576	867,215	938,168
Number of Check Payments (Thousands) (Ot)	205,604	196,686	175,920	186,442	173,761
Number of Check Claims Submitted (Thousands) (Ot)	1,461	1,219	1,109	1,200	N/A
Average Number of Days to Settle a Claim (Ot)	N/A	N/A	N/A	N/A	30

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

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 2010, FMS issued more than one billion non-Defense payments, with a dollar value of over $2.34 trillion. More than 82 percent of these transactions were issued by Electronic Funds Transfer (EFT). In FY 2012, FMS is projecting the percentage of electronic payments to be 85 percent.

3B – Collections *($21,265,000 from direct appropriations and $198,000 from reimbursable programs):* FMS collects revenues needed to operate the federal government through the management of the federal government's collections infrastructure. The collections activity is also part of the nation's critical infrastructure. FMS collected nearly $2.94 trillion in FY 2010 through a network of more than 8,000 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. While 85 percent of federal revenue was collected electronically in FY 2010, the Paperless Treasury Initiative will help FMS improve the percentage of tax revenue collected electronically by requiring all businesses currently required to use a FTD coupon to pay electronically effective January 1, 2011.

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 FPAs 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 electronic systems 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):* EFTPS collects approximately 82 percent of United States tax dollars and is required for businesses with annual federal tax obligations above $200,000. Starting in 2011, in support of the Paperless Treasury Initiative, businesses using paper FTD coupons will be instructed to use EFTPS. IRS research has shown that businesses using EFTPS are 31 times less likely to make an error. 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 FTD coupons, which were reduced in FY 2010 by 24 percent over FY 2009. 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 on-line interface that will allow financial institutions and other third parties to remit tax payments to EFTPS on behalf of their customers. In FY 2010, more than 108 million payments were processed through EFTPS totaling more than $1.98 trillion.

- *Pay.gov*: Pay.gov is a system allowing individuals and businesses to make nontax payments to federal agencies over the internet. Pay.gov provides collections, form submittal, and bill presentment. 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, currently serves 153 federal agencies representing 667 cash flows. In FY 2010 Pay.Gov processed over 49 million transactions and collected over $80 billion. New developments will focus on interfaces with new systems within the new Collections Business Line Enterprise Architecture, improved interfaces with federal agencies, and enhanced functionality to take advantage of same-day ACH transactions.

- *Check Conversion and Truncation:* Paper Check Conversion Over-The-Counter (PCC OTC) and Electronic Check Processing (ECP) are programs utilized to convert paper checks received at federal agency and lockbox sites into electronic debits to the check writer's account through the Automated Clearing House (ACH) system, or into a substitute check image that is truncated and cleared under the authority of Check 21. The funds are deposited into Treasury's account at the Federal Reserve Bank. These programs leverage image technology and eliminate the need to photocopy checks, safeguard checks, or process paper by providing a complete electronic record of all check images and related financial data accessible via a web-based archive. In FY 2010, more than 10.6 million items were received over-the-counter, representing more than $17.1 billion, and processed through check conversion or truncation. Additionally, more than 43.8 million items received through the mail at lockboxes, representing $20.5 billion, were similarly processed. FMS's target is that all paper checks remitted to the federal government will be converted or truncated and processed electronically.

3.2.2 – Collections Budget and Performance Plan

Collections Budget Activity					
Resource Level	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request
Appropriated Resources	$23,103	$21,521	$21,911	$24,267	$21,265
Reimbursable Resources	$141	$0	$113	$1,419	$198
Total Resources	**$23,244**	**$21,521**	**$22,024**	**$25,686**	**$21,463**
Budget Activity Total	**$23,244**	**$21,521**	**$22,024**	**$25,686**	**$21,463**

Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Percentage Collected Electronically of Total Dollar Amount of Federal Government Receipts (Oe)	80.0	84.0	86.0	86.0	88.0
Unit Cost to Process a Federal Revenue Collection Transaction (E)	1.47	1.57	1.67	1.70	1.70

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

Description of Performance: In FY 2010, FMS collected $2.94 trillion through a network of more than 9,000 financial institutions. Slightly more than 85 percent of the funds was collected electronically. While FMS continued to promote and convert collections from paper to the more efficient electronic media in FY 2010, there are a number of factors that have adversely affected the unit cost metric. It is projected that the unit cost metric for collections will increase over the next three years due to two primary factors: 1) The current economic conditions; and 2) Increased expenses during the transition to a fully implemented Collections and Cash Management Modernization (CCMM) initiative.

The economic climate has had a major influence on the unit cost for collections. Recessionary business failures and job losses have caused fewer employers to report withholding transactions to the Electronic Federal Tax Payment System (EFTPS). Similarly, small business failures and job losses reduced the number of tax filers using the IRS Lockbox Network. For example, during the Spring 2009 tax season, tax transaction receipts were down by 22 percent. Since some of the costs of EFTPS and the IRS Lockbox Network are fixed, the unit cost per item increased.

In addition, FMS has embarked on a multi-year initiative that will streamline, modernize, and improve the processes and systems supporting Treasury's collections and cash management program. FMS is building a number of new systems that will fulfill its enterprise architecture goals. When this initiative is fully implemented, FMS will operate only 13 collection and cash management systems or services, decommissioning 20 other systems or services. The CCMM initiative will make it much more efficient for FMS to collect government receipts. Full implementation of this initiative includes new systems deployment and agency conversions to these new systems. Until full implementation is realized, FMS must continue to maintain legacy systems and processes, and incur the costs to maintain those systems as well.

3C – Debt Collection *($97,052,000 from reimbursable programs):* FMS collects delinquent government and child support debt by providing centralized debt collection, oversight and operational services to FPAs and states pursuant to 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.

To better utilize internal resources for increased debt collection activity, especially in the cross-servicing of existing debt, resulting in the collection of additional delinquent debt, FMS was able to begin re-purposing the Austin payments facility to a debt collection call center in FY 2011; this effort should be finalized in FY 2012.

Additionally, FMS will continue to enhance FedDebt, a comprehensive system that integrated FMS' existing collection programs: Cross-Servicing and the Treasury Offset Program (TOP). TOP compares the names and Taxpayer Identifying Numbers (TINs) of debtors with the names and TINs on state and federal payment files. If there is a match, the federal payment is reduced, or "offset," to satisfy the overdue debt. Cross-Servicing includes the 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 (IRS), and use of private collection agencies.

FedDebt 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 debts to either Cross-Servicing or TOP. 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 and state agency customers and service partners. FMS will continue developing FedDebt by implementing a centralized debt data repository.

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 (CMS) offset program began in 2009, as did the Railroad Retirement Board levy program. The Postal Service began taking vendor payment offsets and levies in late 2009. Finally, 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 2008 Obligated**	**FY 2009 Obligated**	**FY 2010 Obligated**	**FY 2011 Annualized CR Level**	**FY 2012 Request**
Appropriated Resources	$0	$0	$0	$0	$0
Reimbursable Resources	$74,705	$86,247	$93,397	$80,036	$97,052
Total Resources	**$74,705**	**$86,247**	**$93,397**	**$80,036**	**$97,052**
Budget Activity Total	**$74,705**	**$86,247**	**$93,397**	**$80,036**	**$97,052**

Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Amount of Delinquent Debt Collected Per $1 Spent (E)	54.76	53.76	54.54	43.0	45.0
Amount of Delinquent Debt Collected Through All Available Tools ($ billions) (Ot)	4.41	5.03	5.50	5.50	5.80
Percentage of Delinquent Debt Referred to FMS for Collection Compared To Amount Eligible For Referral (Ot)	99.0	100.0	100.0	97.0	98.0

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

Description of Performance: In FY 2010, FMS collected $5.45 billion in delinquent debt including $12.8 million from Economic Recovery Payments. The amount collected includes $2.10 billion in past due child support, $2.30 billion in federal nontax debt, and over $1.05 billion 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 2010. As a result of the continued program improvements, cumulative collections since enactment of the Debt Collection Improvement Act of 1996 are $48.2 billion. In calendar year 2010, the Internal Revenue Service referred an additional $54 billion of tax debts for continuous levy, a 15 percent increase over calendar year 2009.

3D – Government-wide Accounting and Reporting *($64,672,000 from direct appropriations and $4,412,000 from reimbursable programs):* The Government-wide Accounting and Reporting (GWA) activity maintains the federal government's 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. It provides support, guidance, and training to assist FPAs in improving their government-wide accounting and reporting responsibilities. FMS collects, analyzes, 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). It is important to note, the cash reporting function of GWA supports the National Financial Critical Infrastructure.

FMS is taking other significant steps to address the material weaknesses found in the compilation process of the FR 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.

- Reconciling the agency data to central accounting data which FMS uses to prepare the Reconciliations of Net Cost and Unified Budget Deficit Statement and the Statement of Changes in Cash Balance from Unified Budget and Other Activities.

- 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.

3.2.4 Government-wide Accounting and Reporting Budget and Performance Plan

Government-wide Accounting and Reporting Budget Activity					
Resource Level	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Obligated	FY 2011 Annualized CR Level	FY 2012 Request
Appropriated Resources	$72,420	$70,547	$71,826	$77,328	$64,672
Reimbursable Resources	$726	$3,179	$4,123	$4,215	$4,412
Total Resources	**$73,146**	**$73,726**	**$75,949**	**$81,543**	**$69,084**
Budget Activity Total	**$73,146**	**$73,726**	**$75,949**	**$81,543**	**$69,084**

Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Percentage of Government-Wide Accounting Reports Issued Accurately (%) (Oe)	100.0	100.0	100.0	100.0	100.0
Percentage of Government-Wide Accounting Reports Issued Timely (E)	100.0	100.0	100.0	100.0	100.0
Unit Cost to Manage $1 Million Dollars of Cash Flow (E)	8.96	7.08	7.36	10.15	8.90

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

Description of Performance: FMS issues 100 percent of its government-wide accounting reports accurately and timely. Annually, FMS releases the *Financial Report of the United States Government (FR).* The FR has been audited by the Government Accountability Office (GAO) since 1997, and has received a disclaimer of opinion each year. Treasury continues to take steps to help resolve differences in intragovernmental activity and balances; and during fiscal year 2010, Treasury, in coordination with the Office of Management and Budget, continued implementing corrective action plans and made progress addressing certain internal control deficiencies that they have previously reported.

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 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 and has taken steps to improve the quality of its professional workforce. A Human Capital Strategic Plan has been developed to identify opportunities and build upon our 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.

- *Critical Success Factors:* Recognizing that an organization's mission, vision, and values provide an insight into why the organization exists, where the organization is heading, and how it will conduct its business, FMS has embarked on a rigorous enterprise-wide activity to crisply define our mission, vision, and values, as well as to define and draw attention to the essential elements – the Critical Success Factors – that are key to our continued success.

- *Workforce Planning & Deployment:* FMS is citizen-centered and mission-focused. It 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 gaps in mission-critical skills, knowledge and competency. 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. FMS utilizes all intern program authorities, to the extent possible, in order to attract talent from some of the best colleges and universities.

FMS has action plans to obtain 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, redirected as appropriate, or eliminated. This is one way 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 such as: SES Candidate Development, Project Management Certification, Management Preparatory Development, Federal Career Intern Program, Leadership, and Mentoring.

FMS believes that maintaining a diverse workforce is vital to 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 and the Department of Labor's Workforce Recruitment Program for students with disabilities.

4.1 – Summary of IT Resources Table

Dollars in Thousands

Major IT Investments / Funding Source	Budget Activity	FY 2009 Enacted	FY 2010 Enacted	% Change from FY 2009 to FY 2010	FY 2011 AnnualizedCR Level	FY 2012 Request	% Change from FY 2010 to FY 2012
Automated Standard Application for Payments (ASAP)	Payments	2,398	2,165	-9.72%	1,771	1,843	-14.87%
Debit Gateway	Collections	-	300	N/A	300	300	0.00%
Deposit and Data Management (DDM)	Collections	1,120	1,146	2.32%	1,194	1,194	4.19%
FMS EFTPS (Electronic Federal Tax Payment System)	Collections	659	682	3.49%	705	729	6.89%
FedDebt	Debt Collection	-	-	N/A	-	-	N/A
Financial Information and Reporting Standardization (FIRST)	Government-wide Accounting	7,098	7,501	5.68%	6,649	3,623	-51.70%
Government-Wide Accounting and Reporting Modernization (GWAMP)	Government-wide Accounting	9,787	9,983	2.00%	10,186	8,323	-16.63%
International Treasury Services (ITS.gov) 1/	Payments	341	351	2.93%	362	372	5.98%
Internet Payment Platform (IPP)	Payments	308	318	3.25%	329	338	6.29%
Intra-Governmental Payment and Collection (IPAC)	Government-wide Accounting	552	638	15.58%	660	673	5.49%
Over the Counter Channel Application (OTCnet)	Collections	403	305	-24.32%	459	390	27.87%
PACER	Payments	2,631	2,744	4.29%	2,800	2,889	5.28%
Pay.gov	Collections	569	480	-15.64%	497	515	7.29%
Payment Application Modernization (PAM)	Payments	12,123	13,906	14.71%	16,937	16,793	20.76%
Print and Check Enclosing (PrinCE)	Payments	-	3,613	N/A	1,173	1,108	-69.33%
Secure Payment System (SPS)	Payments	3,717	3,403	-8.45%	3,716	3,822	12.31%
Treasury Check Information System (TCIS)	Payments	996	1,154	15.86%	1,443	1,248	8.15%
Treasury Collateral Management and Monitoring (TCMM)	Collections	-	134	N/A	96	282	110.44%
Subtotal, Major IT Investments		42,702	48,823	14.33%	49,277	44,442	-8.97%
non-major IT Investments 2/		5,912	12,355	108.99%	8,689	6,997	-43.37%
Infrastructure Investments 3/		23,200	154,696	566.79%	158,314	158,662	2.56%
Enterprise Architecture		5,493	3,655	-33.46%	3,655	2,799	-23.42%
Total IT Investments 4/		77,307	219,529	183.97%	219,935	212,900	-3.02%

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

2/ PrinCE was changed from a non-major to a Major in FY2009.

3/ In FY 2009, the number of non-majors reporting increased to 17 investments.

4/ Figures provided for FY 2009 include funding amounts for the Treasury Web Application Infrastructure (TWAI) platform that were not included in previous years.

* Infrastructure reporting requirements changed in FY 2009, which resulted in changes to FY 2010 and FY 2011 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 Plan which 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.

Governance Process

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 requirements for Capital Planning and Investment Control, and Enterprise Architecture. Before projects are started or a major change implemented, there is a formal review process beginning with the FMS Division Information Officer (DIO) Council. Each project provides the DIO Council with project business case documentation, which describes the project, documents benefits, and 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 are 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 governance process includes recommendations by the DIO Council for approval/disapproval of all IT investments and major enhancements. The FMS executive board must also approve all large scale IT projects and it conducts quarterly reviews of all major FMS investments.

Fiscal IT

FMS, in partnership with BPD, initiated a project to consolidate the data centers across the two bureaus to help achieve the Secretary's objective of increasing the utilization and efficiency of combined IT assets, while reducing technology costs. This effort also conforms to the Office of Management and Budget's Data Center Consolidation directive which requests that all federal agencies review IT spending, placing emphasis on consolidating and sharing IT services to reduce expenditures. This effort includes consolidation of five data centers into two shared by both bureaus with one acting as a back-up to the other, creation of a single corporate governing body, in-sourcing of select contractor functions, and consolidation of application development methodologies and associated infrastructure while resulting in a more "green" approach to delivery of IT services.