

Financial Management Service (FMS)

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 2009	FY 2010	FY 2011		
	Enacted	Enacted	Request	\$ Change	% Change
Payments	\$147,717	\$150,395	\$142,537	(\$7,858)	(5.2%)
Collections	\$21,521	\$21,911	\$21,690	(\$221)	(1.0%)
Government-wide Accounting and Reporting	\$70,547	\$71,826	\$71,026	(\$800)	(1.1%)
Total Appropriated Resources	\$239,785	\$244,132	\$235,253	(\$8,879)	(3.6%)
Total FTE	1,500	1,500	1,375	(125)	(8.3%)

*The FY 2009 figure does not include \$7 million dollars received from the American Recovery and Reinvestment Act.

FY 2011 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.
- Be a great place to work.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Financial Management Service's (FMS) vision is to provide world class delivery of government financial management services.

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 agency for the federal government. In ensuring the restoration of 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 2011 priorities, are to:

- Provide timely, accurate, and efficient disbursement of federal government payments.
- Provide timely, accurate, and efficient collection of federal government receipts.
- Increase use of direct deposit and direct debit to move towards a paperless Treasury.
- 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.

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.

FMS is responsible for a major element of the federal government's Financial Critical Infrastructure and 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, approximately 75 percent of its direct salary and expense funding, three programs – payments, collections, and cash reporting ensure the viability of the Critical Infrastructure. FMS is required to ensure these activities are fully operational at all times.

As part of the 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 over one billion payments annually; therefore, the impact of its programs on the economy and the public is significant. These activities touch millions of people 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 \$60 billion, disbursing 85 percent of the federal government's payments. These payments include Internal Revenue Service (IRS) income tax refunds, Social Security benefits, veteran's benefits and other federal payments to individuals and businesses. FMS also administers the world's largest collection system, having collected \$2.86 trillion in FY 2009. FMS provides cash management guidance to FPAs, maintains the government's accounts, and compiles and publishes government-wide financial information used to monitor the government's financial status, and serves as the government's central debt collection agency for delinquent debt.

1B – Program History and Future Outlook

The Department is committed to moving to paperless processing throughout its bureaus and programs, including increasing the number of payments and collections made electronically. FMS will play a critical role through an increasing use of electronic benefit payments and collections. This will help streamline intergovernmental processes and enhance service to the general public.

FMS continues to work on increasing operational efficiencies that streamline the four main activities of payments, collections, government-wide accounting and reporting, and debt collection. In keeping with the President's goal of putting "our fiscal house in order," FMS has, through its continued modernization efforts, identified several cost savings which can be found in section two of the budget. Modernization of these systems will help minimize/eliminate waste, save time and, ultimately, optimize the use of the taxpayers' dollars.

FMS strives to consistently look for ways to increase the number of payments and collections made electronically. The Paperless Treasury initiative will move FMS closer to an all-electronic organization. Two important components of this initiative include: the phasing in of government benefit check recipients to electronic deposit and requiring all businesses with \$2,500 or more in quarterly tax liability to pay electronically. The use of electronics will allow FMS to improve the accuracy and efficiency of transactions and operations, eliminate paper-based processes, and contribute to increasing electronic transactions within government and with the public.

In addition, FMS continues to implement systems that reduce the use of paper. An example of this is the roll-out of the Judgment Fund Internet Claims System, which allows federal agencies to submit claims electronically to the Judgment Fund, thereby eliminating paper throughout the entire federal government.

In FY 2011, FMS will work with GSA to conduct a feasibility study to determine alternative space needs for FMS as the lease for the Hyattsville facility will expire in December 2012.

Payments

The Payments program, a component of the National Financial Critical Infrastructure, 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 2009, FMS issued over one billion non-Defense payments worth almost \$2.27 trillion to a wide variety of recipients, such as those who receive IRS tax refunds, Social Security benefits, and veteran's benefits. Nearly eighty-one percent of all payments disbursed were issued via EFT.

In calendar year (CY) 2008, FMS issued 119 million Economic Stimulus Payments valued at over \$96 billion. Over 36 percent of the FY 2008 Stimulus Payments were issued by direct deposit. In FY 2009, FMS disbursed over 54.9 million Economic Recovery Act Payments (ERP) totaling \$13.7 billion with 85 percent of the payments made by EFT. FMS expects total ERP payments disbursed will be over 55 million valued at over \$13.8 billion.

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 one billion federal payments annually. Ultimately, PAM will be a single application that will generate check, wire transfer, and ACH payments for FPAs, including IRS, Social Security, Veterans Affairs, and others.

In FY 2011, FMS will continue to expand the use of electronic media to deliver federal payments by pursuing the continued implementation of the Debt Collection Improvement Act of 1996 (DCIA), as amended, which generally requires all federal agencies to make payments by EFT. Electronic media provides a safer, more secure and reliable method of payment for recipients. In addition, electronic payments decrease the number of paper checks issued, minimizing costs and inefficiencies associated with the delivery of non-electronic benefits.

Collections

The Collections program, also part of the National Financial Critical Infrastructure, collects revenues needed to operate the federal government through the effective management of the government's collections infrastructure. In FY 2009, FMS collected \$2.86 trillion, of which 83 percent was collected electronically, through a network of more than 9,000 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 proposed Paperless Treasury initiative, all businesses with \$2,500 or more in quarterly tax liability will be required to pay electronically.

FMS is undergoing a comprehensive effort to streamline, modernize and improve the processes and systems supporting Treasury's collections and cash management program. 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 2011, 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.

FMS will improve the collection channels and its interaction with the public. Currently, financial agents report collections information to many FPAs and multiple United States Treasury systems. To collect this information, the FPAs and 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 to FPAs via transaction brokering, data warehousing, and business intelligence. This will enable the standardization and consolidation of collections information and eliminate redundancies in the 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.

Government-wide Accounting and Reporting

The Government-wide Accounting and Reporting program maintains the federal government's account structure for its monetary assets and liabilities by operating and overseeing the government's central accounting and reporting system. This includes cash reporting which is part of the National Critical Infrastructure. FMS has consistently released the Financial Report of the United States Government (FR) 75 days after the fiscal year-end. However, for FY 2009, some agencies that were significantly impacted

by the substantial reporting requirements of the American Recovery and Reinvestment Act (ARRA) were granted reporting deadline extensions, which consequently impact the timing of the FR, now scheduled for February 16, 2010. The FR presents a picture of government-wide finances that complements the traditional federal government budget information. Treasury releases the Monthly Treasury Statement (the monthly public source of the federal government's budget surplus/deficit) 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 2011, FMS will continue to revamp and implement government-wide accounting processes to provide more useful and reliable financial information on a regular basis. Two major initiatives will modernize long standing federal accounting processes and provide agencies with methodologies and tools to improve the accuracy and consistency of their financial data.

Government-wide Accounting (GWA) Modernization Program is a new process and system intended to improve the exchange of financial information among FMS, FPAs, OMB, and the banking community. Once completed, it will replace current government-wide accounting functions and processes that are both internal and external to FMS. FMS will continue working with FPAs to implement the new process 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. 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. FMS anticipates GWA Modernization Program will be implemented by 2014.

The Financial Information and Reporting Standardization (FIRST) 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 adjusted trial balances. It is also 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. FMS anticipates FIRST will be in production by 2013.

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 DCIA, as amended, and related legislation.

In FY 2009, FMS collected \$5.07 billion in delinquent debt. Debt referrals from creditor agencies were at 100 percent of eligible debt at the end of FY 2009. As a result of FMS continued program improvements, total debt collections since the enactment of the DCIA are over \$42.5 billion through FY 2009.

In FY 2011, 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 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 IRS, and use of private collection agencies.

In 2009, 1,020,892 offsets in the amount of \$239,162,817 were collected from Economic Recovery Payments to satisfy delinquent Child Support, Federal Non Tax and State Debt. The United States Postal Service also began taking vendor payment offsets and levies in June 2009, as well as The Centers for Medicare and Medicaid Services who began offsetting debts in October 2009. 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.

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
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$4,560
FERS % Change	-	369
Non-Pay Inflation Adjustment	-	843
Pay Annualization	-	933
Pay Inflation Adjustment	-	2,415
Efficiencies Savings:	(125)	(\$13,439)
Payment Modernization/Operational Efficiency	(60)	(3,020)
Realignment PM/DMS	(30)	(3,390)
Elimination of Paper-Based Process	(35)	(4,429)
IT Efficiency Savings	-	(2,600)
Subtotal FY 2011 Changes to Base	(125)	(\$8,879)
Total FY 2011 Base	1,375	235,253
Total FY 2011 Budget Request	1,375	235,253

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)+\$4,560,000 / +0 FTE

Non-Pay Inflation Adjustment +\$843,000 / +0 FTE

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

Pay Annualization +\$933,000 / +0 FTE

Funds are requested for the FY 2011 cost of the January 2010 pay raise.

Pay Inflation Adjustment +\$2,415,000 / +0 FTE

Funds are requested for the January 2011 pay raise.

FERS % Change +\$369,000 / +0 FTE

Funds are requested for the increase in agency retirement contribution percentages for GS employees from 11.2% to 11.5% for FY 2011 as required by OPM.

Efficiencies Savings-\$13,439,000 / -125 FTE

Payment Modernization/Operational Efficiency -\$3,020,000 / -60 FTE

The Payment Application Modernization (PAM) Project streamlines the FMS payments. PAM will replace the current mainframe-based software applications used to disburse approximately one billion federal payments annually, which along with other modernization efforts will result in operational efficiencies savings.

Realignment PM/DMS -\$3,390,000 / -30 FTE

Consolidation of Debt Management and Payment Management business processes will allow FMS to assure operational continuity and maximize use of its call centers.

Elimination of Paper-Based Process -\$4,429,000 / -35 FTE

The implementation of several IT systems will eliminate current paper processes. For example, the implementation of the Judgment Fund Internet Claims System (JFICS) allows federal agencies to submit their claims for payment electronically to the Judgment Fund. FMS is in the process of rolling out JFICS to federal agencies which will eliminate paper and result in savings to FMS. Additionally, FMS plans to analyze its administrative needs and redistribute resources to critical areas.

IT Efficiency Savings -\$2,600,000 / +0 FTE

FMS will consolidate several software contracts and move applications from the Bureau of Public Debt server and expects to gain efficiency savings from its transition to broadband.

2.2 – Operating Levels Table

Financial Management Service	FY 2009 Enacted	FY 2010 President's Budget	Congressional Action Including Rescission	FY 2010 Enacted Level	Proposed Reprogram mings	FY 2010 Proposed Operating Level	FY 2011 Requested Level
FTE	1,500	1,500	0	1,500	0	1,500	1,375
Object Classification:							
11.1 - Full-time permanent	124,544	127,561	0	127,561	0	127,561	120,662
11.3 - Other than full-time permanent	1,500	1,540	0	1,540	0	1,540	1,540
11.5 - Other personnel compensation	3,000	3,081	0	3,081	0	3,081	5,081
11.8 - Special personal services payments	3,508	3,603	0	3,603	0	3,603	3,603
12 - Personnel benefits	30,975	31,703	0	31,703	0	31,703	29,763
13 - Benefits for former personnel	175	180	0	180	0	180	180
21 - Travel and transportation of persons	1,503	1,511	0	1,511	0	1,511	1,511
22 - Transportation of things	275	278	0	278	0	278	278
23.1 - Rental payments to GSA	13,500	13,635	0	13,635	0	13,635	14,708
23.2 - Rental payments to others	670	677	0	677	0	677	677
23.3 - Comm, utilities, and misc charges	10,351	10,455	0	10,455	0	10,455	9,942
24 - Printing and reproduction	500	505	0	505	0	505	505
25.1 - Advisory and assistance services	6,002	6,062	0	6,062	0	6,062	6,062
25.2 - Other services	18,759	18,574	0	18,574	0	18,574	15,974
25.3 - Other purchases of goods and services from Govt. accounts	2,768	2,795	0	2,795	0	2,795	2,795
25.4 - Operation and maintenance of facilities	500	505	0	505	0	505	505
25.7 - Operation and maintenance of equip	8,005	8,085	0	8,085	0	8,085	8,085
26 - Supplies and materials	3,600	3,636	0	3,636	0	3,636	3,636
31 - Equipment	9,100	9,191	0	9,191	0	9,191	9,191
32 - Land and structures	500	505	0	505	0	505	505
42 - Insurance claims and indemnities	50	50	0	50	0	50	50
Total Budget Authority	\$239,785	\$244,132	\$0	\$244,132	\$0	\$244,132	\$235,253
Budget Activities:							
Payments	147,717	150,395	0	150,395	0	150,395	142,537
Collections	21,521	21,911	0	21,911	0	21,911	21,690
Government-wide Accounting and Reporting	70,547	71,826	0	71,826	0	71,826	71,026
Total Budget Authority	\$239,785	\$244,132	\$0	\$244,132	\$0	\$244,132	\$235,253

2.3 – Appropriations Detail Table

Dollars in Thousands

(Dollars in Thousands)

Resources Available for Obligation	FY 2009 Obligations		FY 2009 Enacted		FY 2010 Enacted		FY 2011 Request		% Change FY 2010 to FY 2011	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Payments	922	\$139,350	963	\$147,717	963	\$150,395	850	\$142,537	-11.73%	-5.22%
Collections	129	23,804	135	21,521	135	\$21,911	132	21,690	-2.22%	-1.01%
Gov. Accounting and Reporting	382	70,541	402	70,547	402	\$71,826	393	71,026	-2.24%	-1.11%
Subtotal New Appropriated Resources	1,433	\$233,695	1,500	\$239,785	1,500	\$244,132	1,375	\$235,253	-8.33%	-3.64%
Other Resources:										
Recoveries										
Offsetting Collections - Reimbursable	464	225,109	441	228,010	483	234,690	460	216,730	-4.76%	-7.65%
Available multi-year/no-year funds										
Transfers In/Out										
Subtotal Other Resources	464	\$225,109	441	\$228,010	483	\$234,690	460	\$216,730	-4.76%	-7.65%
Total Resources Available for Obligation	1,897	\$458,804	1,941	\$467,795	1,983	\$478,822	1,835	\$451,983	-7.46%	-5.61%

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, [\$244,132,000] \$235,253,000 of which not to exceed \$9,220,000 shall remain available until September 30, [2012] 2013, 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, 2010]</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 United States Treasury. FMS estimates that the cost of FRB services for FY 2011 will be approximately \$321 million.

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 EFTPS, the Lockbox Networks, plastic cards, 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 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, 12U.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 2011 will be approximately \$625 million, which includes \$25 million for Government Sponsored Enterprise - Mortgage Backed Securities (GSE-MBS) administrative costs. Approximately \$60 million will be reimbursed from other government agencies and deposited into the General Fund.

Table 2.4 – Permanent, Indefinite Appropriations

(Dollars in Thousands)

Permanent, Indefinite Appropriation	2009 Enacted	2010 Request	2011 Request
Federal Reserve Bank	\$305,000	\$321,000	\$321,000
Financial Agent Services*	\$593,000	\$633,000	\$625,000

* FY 2010 & FY 2011 include costs for the Government Sponsored Enterprise - Mortgage Backed Securities administrative costs of \$36M and \$25M, respectively.

Note: Approximately \$60 million is reimbursed from other government agencies and deposited into the General Fund.

2C – Legislative Proposals

Debt Collection

Authorize Post-Levy Due Process

This proposed amendment to 26 U.S.C. § 6330 would allow the IRS to levy the payment of a federal contractor who owes delinquent taxes, and provide the taxpayer with notice and an opportunity for an administrative collection due process (CDP) hearing, and for judicial review, within a reasonable time after the levy. The IRS currently has this authority for levies against state tax refunds and to collect federal employment taxes.

Under the automated Federal Payment Levy Program, Treasury matches federal tax liabilities against federal payments to contractors. When a match occurs, IRS issues the CDP notice but cannot levy the payment until the CDP requirements are complete. By this time the payment has already been made and the opportunity for levy is lost. This proposal would remedy this situation by allowing the IRS to levy the payment at the time the payment is identified.

Allow IRS to Levy 100 Percent of All Vendor Payments

This proposed amendment to 26 U.S.C. § 6331(h)(3) would allow IRS to continuously levy up to 100% of federal payments made to all federal vendors who owe delinquent taxes, not only vendors of “goods or services.” Currently, continuous levies of payments made to vendors of “goods or services” allow for collection from up to 100% of the levied payment, whereas continuous levies of other payments attach to no more than 15% of the payment.

The current law excludes from the 100 percent continuous levy authority a sizable number of federal vendor payments, most notably payments related to the purchase or lease of real estate by the Federal Government, but also payments for other purchases such as intellectual property or software. As an operational matter, without this legislative change, it is not feasible for FMS to automate the continuous levy of vendor payments because of the significant changes to systems and accounting practices required across a wide array of agencies to allow for the differentiation between payments to vendors of “goods or services” versus other vendor payments. To identify vendor real estate payments, for example, would require more than 30 agencies to change the manner in which they code payments certified to FMS, as well as months of testing and verification of agency compliance. In addition, IRS would be relying upon the ability of agencies to accurately classify vendor payments in order to avoid improper seizure.

Authorize FMS to Deduct Fees from Amounts Collected from Levies of Federal Payments Rather Than Have Fees Paid Out of IRS's Appropriation

This proposal improves the way FMS collects fees from IRS to cover FMS's costs in developing and operating the Federal Payment Levy Program (FPLP), which utilizes the Treasury Offset Program (TOP) to process levies of federal payments to collect delinquent tax debts. Rather than IRS paying fees from its annual discretionary appropriation pursuant to the Economy Act, this proposal would allow FMS to retain directly a portion of the levied funds. The proposal would ensure that sufficient funds are available to cover the costs of the program, and it is consistent with how other federal agencies reimburse FMS for collecting nontax debts through TOP. The proposal would modify the way that FMS recovers its transaction fees for processing IRS levies by permitting FMS to add the fee to the liability being recovered, thereby shifting the cost of collection to the delinquent taxpayer. The offset amount would be included within the 15-percent limit on continuous levies against income.

Allow The Offset of Certain Federal Benefit Payments to Collect Delinquent Child Support Debts.

This proposal would authorize the collection of delinquent, state-enforced child support debts from Social Security, Black Lung, and Railroad Retirement benefit payments in the same way that such payments are currently offset to collect federal nontax debts. Under current law, FMS offsets up to 15% of a benefit payment to collect nontax debts, and the amount of \$750 per month is exempt from offset. Although States may directly request a benefit agency to garnish benefit payments to collect delinquent child support debts, this proposal provides a cost-efficient way for States to collect support from payments that

States have been unable to identify as a source of funding from the delinquent child support obligor.

While many federal benefit payments are statutorily protected from collection actions, the Debt Collection Improvement Act of 1996, as codified at 31 U.S.C. § 3716(c)(3)(A)(i), expressly waived any statutory limitation for purposes of offset under section 3716 to collect federal nontax debts. Section 3716(h)(3), however, provides that the statutory waiver does not apply to collection of debts owed to States, which includes child support. The proposed language amends 3716(h)(3) to include child support debts in the waiver.

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.

Section 3 – Budget and Performance Plan

This table lists all FY 2011 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 2010 Request	FY 2011 Request	Percent Change
Financial information	75,403	75,241	-0.2%
Payments	293,048	273,597	-6.6%
Revenue collected	110,371	103,145	-6.5%
Total	\$478,822	\$451,983	-5.61%

3A – Payments (\$142,537,000 from direct appropriations and \$131,060,000 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 includes controlling and providing financial integrity to the payments process through reconciliation, accounting, and claims activities. Also included 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. 100 percent of funds devoted to the payments activity supports the National Financial Critical Infrastructure.

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

Direct deposit offers federal benefit payment recipients ease and convenience, and protects against fraud and identity theft. This 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 to 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, a nationwide campaign called “Go Direct” encourages current check recipients to switch to direct deposit. In its extremely successful fourth year, over 1.1 million conversions were attributed to Go Direct, saving millions of dollars for the United

States Treasury in the years to come. As of December 2009, the total number of conversions obtained since the inception of the campaign is estimated to be over 3.8 million.

In April FY 2008, FMS implemented Direct Express, a branded debit card program, which provides an electronic option for those federal check recipients who do not have bank accounts to receive their federal benefit payments. The card is currently available to Social Security and SSI recipients, and FMS is optimistic that other benefit payments will be implemented in CY 2010. As of January 10, 2010, approximately 866,000 beneficiaries had signed up for Direct Express.

FMS has undertaken considerable effort to modernize its payment systems, incorporating new technologies and the internet. Some of the programs 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 September 2009, over 20.5 million EFT transactions with a dollar value in excess of \$3 billion were processed via the SVC programs. In fiscal year 2009 alone, the SVC programs collected over \$1 billion through the processing of over 7 million EFT transactions.
- *Print and Check Enclosing (PrinCE)*: This project is the ongoing replacement and modernization of Regional Financial Center (RFC) manual check wrapping equipment and the legacy software sub-system with intelligent mail piece inserter equipment. FMS produces approximately 197 million Treasury checks annually, including IRS income tax refunds Social Security Administration benefits, Veterans Affairs benefits and others. In addition to check production, specialized jobs are also performed where documents are printed and inserted with or without checks. Treasury checks and payment related documents are currently handled by the Check Wrapper Systems at the RFCs, some of which are 40 years old. PrinCE will produce upgraded check processing software and hardware components, which will provide improved accountability for each mail piece that is received from the mainframe payment systems. Check payment mail pieces will be tracked through the check enclosing process until each mail piece is successfully enclosed for mailing. The upgraded check enclosing process will improve internal controls and reduce the opportunity for human error and fraud. The Automated Document Factory (ADF) function of PrinCE will automatically track and account for each check processed through a network interface, and enhance accountability in a seamless and transparent manner. ADF will position FMS to better react in the event it needs to deploy its Business Continuity Plan.
- *Payment Application Modernization (PAM)*: PAM is an effort to replace the current mainframe-based software applications that are used to disburse over one billion

federal payments annually with a total dollar value of almost \$2.27 trillion. This single application will generate check, wire transfer, and ACH payments for FPAs, including IRS, Social Security Administration, 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, that incorporate new and enhanced functionality that supports improvements in the payment process. PAM currently processes Social Security Supplemental Income, (SSI) ACH monthly payments, SSI monthly check, and SSI Daily ACH/Check payments.

3.2.1 – Payments Budget and Performance Plan

Payments Budget Activity					
Resource Level	FY 2007 Obligated	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Request
Appropriated Resources	\$147,055	\$171,686	\$147,717	\$150,395	\$142,537
Reimbursable Resources	\$132,712	\$130,853	\$138,584	\$137,057	\$131,060
Total Resources	\$279,767	\$302,539	\$286,301	\$287,452	\$273,597

Budget Activity Total	\$279,767	\$302,539	\$286,301	\$287,452	\$273,597
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Payments Budget Activity						
Measure	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Actual	Actual	Target	Actual	Target	Target
Number of check payments (millions) [WORKLOAD STATISTIC]	214.777	205.604		196.686	0	186.442
Number of electronic payments (millions) [WORKLOAD STATISTIC]	767.172	793.832		827.643	0	867.215
Percentage of Treasury Payments and associated information made electronically (Oe)	78	79	80	81	81	82
Percentage of paper check and Electronic Funds Transfer (EFT) payments made accurately and on time (Oe)	100	100	100	100	100	100
Unit cost for Federal Government payments (\$) (E)	0.39	0.394	0.4	0.37	0.4	0.4

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, DISC – discontinued, and B - baseline

Description of Performance: FMS disburses payments to a wide variety of recipients, such as those who receive Internal Revenue Service tax refunds, Social Security Administration benefits, and the Department of Veterans Affairs benefits. In FY 2009 FMS issued over 1 billion non-Defense payments, with a dollar value of approximately \$2.3 trillion. Nearly 81 percent of these transactions were issued by Electronic Funds Transfer. In FY 2011, FMS is projecting the percentage of electronic payments to be 83 percent.

3B – Collections (\$21,690,000 from direct appropriations and \$1,419,000 from reimbursable programs): FMS collects revenue needed to operate the federal government through the management of the federal government’s collections infrastructure. The collections activity is also part of the National Critical Infrastructure. In FY 2009, \$2.86 trillion was collected through a network of more than 9,000 financial institutions. FMS 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, 83 percent in FY 2009. While 83 percent of federal revenue was collected electronically in FY 2009, the proposed Paperless Treasury initiative will help FMS improve the percentage of tax revenue collected electronically by requiring all businesses with \$2,500 or more in quarterly tax liability to pay electronically.

FMS develops and operates a variety of collection mechanisms and systems and has initiated a comprehensive effort, Collections and Cash Management Modernization (CCMM), to streamline, modernize and improve the processes and systems for this program. This 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. 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 assists agencies in converting collections from paper to electronic media with programs such as:

- *Electronic Federal Tax Payment System (EFTPS)*: This system provides an accurate, secure and convenient way to collect all federal tax payments, including corporate, excise and employment taxes and 1040 quarterly estimated taxes. The collections are made via the internet or a telephone voice response system. Currently, EFTPS collects 82 percent of U.S. tax dollars and is required for businesses with annual federal tax obligations above \$200,000. Under the proposed Paperless Treasury initiative, however, all businesses with \$2,500 or more in quarterly tax liability will be required to pay electronically. 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 approximately 26.1 million in FY 2009, a reduction of 14.4 percent from FY 2008. 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 2009, more than 97.9 million payments with a total value of \$1.91 trillion were processed through EFTPS, a volume increase of 2.45 percent over FY 2008.
- *Pay.gov*: Pay.gov allows individuals and businesses to make non-tax payments to federal agencies over the internet. It provides collections, form submittal, bill

presentment, and agency financial reporting services. Since inception in FY 2000, Pay.gov has processed 57.5 million transactions with an approximate value of \$204.2 billion. In FY 2009, Pay.Gov processed nearly 18.7 million items totaling \$68.9 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 on-line 24 hours a day, seven days a week. Pay.gov, which has been implemented with 134 federal agencies representing 565 cash flows. 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 the goal of increasing electronic collections and reducing collection costs. In FY 2009, more than 8.3 million items received over the counter, representing more than \$15.7 billion, were processed through check conversion or truncation. Through FY 2009 more than 40.1 million items received through the mail at lockboxes, representing more than \$17.9 billion, were similarly processed. The goal is that all paper checks remitted to the IRS and General Lockbox Networks will be converted or truncated and processed electronically by the end of FY 2011.

3.2.2 – Collections Budget and Performance Plan

Collections Budget Activity					
Resource Level	FY 2007 Obligated	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Request
Appropriated Resources	\$19,649	\$23,103	\$21,521	\$21,911	\$21,690
Reimbursable Resources	\$0	\$141	\$0	\$113	\$1,419
Total Resources	\$19,649	\$23,244	\$21,521	\$22,024	\$23,109

Budget Activity Total	\$19,649	\$23,244	\$21,521	\$22,024	\$23,109
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Collections Budget Activity						
Measure	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Actual	Actual	Target	Actual	Target	Target
Percentage collected electronically of total dollar amount of Federal government receipts (Oe)	79	80	80	83	80	81
Unit cost to process a Federal revenue collection transaction (\$) (E)	1.19	1.195	1.27	1.49	1.25	1.7

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, DISC – discontinued, and B - baseline

Description of Performance: In FY 2009, although the dollars collected decreased due to a downturn in the economy, the percentage of dollars collected electronically increased. While FMS continued to promote and convert collections from paper to the more efficient electronic media in FY 2009, there are a number of factors that will cause the projected unit cost for collections to increase over the next few years, including the

downturn in the economy and the increased expenses to fully implement the Collections and Cash Management Modernization initiative.

The economic recession 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 EFTPS, and small business failures and job losses reduced the number of tax filers using the IRS Lockbox Network. 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 has increased.

3C – Debt Collection (\$80,036,000 from reimbursable programs): FMS collects delinquent government and child support debt by providing centralized debt collection, oversight and operational services to Federal Program Agencies (FPA) and states pursuant to the Debt Collection Improvement Act of 1996, as amended and related legislation. This includes, but is 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 2011, FMS will continue to enhance FedDebt, a comprehensive system that integrates existing collection programs Cross-Servicing and the 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 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 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 debts to either Cross-Servicing or Treasury Offset Program (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 and state agency customers and service partners.

FMS is currently 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 also currently in the process of levying civilian salaries. In addition, the State Reciprocal Program will be expanded to include the State of New York in January 2010 and Kentucky in 2011. The following debt collection activities will also increase collections. The offset of medicare payments was implemented in

October 2009. The final rule removing the restriction on the collection of federal non-tax debts that are over 10 years delinquent by offset of federal payments was implemented in January 2010. The Department of Education will begin to participate in the Federal Salary Offset program with a limited number of debts in April 2010.

3.2.3 – Debt Collection Budget and Performance Plan

Debt Collection Budget Activity					
Resource Level	FY 2007 Obligated	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Request
Appropriated Resources	\$0	\$0	\$0	\$0	\$0
Reimbursable Resources	\$67,611	\$74,705	\$86,247	\$93,397	\$80,036
Total Resources	\$67,611	\$74,705	\$86,247	\$93,397	\$80,036

Budget Activity Total	\$67,611	\$74,705	\$86,247	\$93,397	\$80,036
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Debt Collection Budget Activity						
Measure	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Actual	Actual	Target	Actual	Target	Target
Amount of delinquent debt collected per \$1 spent (\$)(E)	53.55	54.76	43	53.76	43	43
Amount of delinquent debt collected through all available tools (\$ billions) (Ot)	3.76	4.41	3.9	5.03	4	4
Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral (Ot)	100	99	97	100	97	97

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, DISC – discontinued, and B - baseline

Description of Performance: In FY 2009, FMS collected \$5.07 billion in delinquent debt, including \$44.2 million from Economic Stimulus payments, and \$235.8 million from Economic Recovery payments. The amount collected includes \$2.07 billion in past due child support, \$2.14 billion in federal non-tax debt, and \$865 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 2009. As a result of the continued program improvements, collections have steadily increased to more than \$42.5 billion since the enactment of the DCIA. In calendar year 2009, the Internal Revenue Service referred an additional \$56.5 billion of tax debts for continuous levy, an 18 percent increase over calendar year 2008.

3D – Government-wide Accounting and Reporting (\$71,026,000 from direct appropriations and \$4,215,000 from reimbursable programs): FMS 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). The cash reporting function of GWA supports the nation's financial critical infrastructure.

FMS plays a key role in establishing and providing guidance to agencies on their core financial systems. It also builds integrated financial systems for these agencies. In partnership with OMB, FMS efforts to bring standardization in financial management have been a key objective. These efforts include establishing standard business processes, where feasible, and standardizing data elements throughout the federal financial management and systems. The goal has been to identify, standardize, and harmonize government-wide commonly used financial data elements. By standardizing these data elements into standard XML schemas, it will support their use in data exchange between central agencies and agencies for accounting and reporting.

FMS is building and implementing a system to improve the exchange of financial information among FMS, FPAs, OMB and the banking community. Once completed, the Government-wide Accounting Modernization Program will comprehensively replace current government-wide accounting functions and processes that are both internal and external to FMS. In FY 2011 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.

FMS is taking 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.
- Organizing a General Fund Team to analyze intra-governmental activity that must be reported to offset agency reporting with the General Fund of the US 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 2011, FMS will continue moving forward on the Financial Information and Reporting Standardization (FIRST) initiative. FIRST integrates budget and financial reporting from FPAs by collecting United States Standard General Ledger based trial balances. These trial balances will be carefully edited each quarter through a highly automated process that provides instant and actionable feedback to agencies. It will ensure consistency among agency budgetary and financial data and the central accounting system and provide accounting support 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 2007 Obligated	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Request
Appropriated Resources	\$64,954	\$72,420	\$70,547	\$71,826	\$71,026
Reimbursable Resources	\$1,122	\$726	\$3,179	\$4,123	\$4,215
Total Resources	\$66,076	\$73,146	\$73,726	\$75,949	\$75,241

Budget Activity Total	\$66,076	\$73,146	\$73,726	\$75,949	\$75,241
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Government-wide Accounting and Reporting Budget Activity						
Measure	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Actual	Actual	Target	Actual	Target	Target
Percentage of Government-wide accounting reports issued accurately (Oe)	100	100	100	100	100	100
Percentage of Government-wide accounting reports issued timely (E)	100	100	100	100	100	100
Unit Cost to Manage \$1 Million Dollars of Cash Flow (E)	10.36	8.958	12.38	7.08	11.77	10.15

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, DISC – discontinued, and B - baseline

Description of Performance: FMS issues 100 percent of its government-wide accounting reports accurately and timely. It consistently releases the *Financial Report of the United States Government* 75 days after the fiscal year-end. However, for FY 2009, some agencies that were significantly impacted by the substantial reporting requirements of the American Recovery and Reinvestment Act (ARRA) were granted reporting deadline extensions, which consequently impact the timing of the FR, now scheduled for February 16, 2010. In FY 2008, the Government Accountability Office (GAO) issued an unqualified opinion on the 2007 and 2008 Statements of Social Insurance and acknowledged and noted improvements with regard to consistency with agency information in the Balance Sheets, the Statements of Net Cost and in the note disclosures that are directly linked to the amounts on these principal financial statements. GAO also acknowledged the progress made in conforming with Generally Accepted Accounting Principles, in the development and implementation of corrective action plans, and in addressing certain internal control weaknesses.

For detailed information about each performance measure, including definition, verification and validation, please go to: <http://treas.gov/offices/management/budget/>

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. The benefits of some of FMS' modernization and technological efforts are being realized through more efficient work processes. At the same time, FMS is taking a proactive approach at looking at redundant activities and functions in an effort to be more efficient while delivering the same level of service to our customers. The result is that FMS is requesting over 3.6% fewer resources in FY 2011 when compared to the FY 2010. In order to do this FMS must 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 the FMS mission, goals, organizational objectives, and is integrated into the strategic plan, performance plans and budgets.
- *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. Processes are 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. It is also 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.

- *Improving Employee Satisfaction and Wellness:* FMS promotes healthy activities and choices for all of its employees with on-site fitness facilities, health clinics, health fairs and health screenings. In addition, FMS sponsors an annual Walk/Run and Wellness Expo which is always well attended.

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.

Action plans are in place to obtain and maintain the right number of people with the right skills to accomplish the mission. FMS 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 position be redirected as appropriate, or eliminated. This is one way FMS manages the possibility of surplus or deficiency of staff in certain job occupations.

Through FY 2010, 22 percent of FMS current employees are eligible for retirement and 41 percent are potentially 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 specialized employee development programs such as the: SES Candidate Development, Project Management Certification, Management Preparatory Development, Federal Career Intern Program, Leadership, and Mentoring.

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 ensure a diverse workforce:

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

4.1 – Summary of IT Resources Table

(in \$ Thousands)

Major IT Investments / Funding Source	Budget Activity	FY 2008 Enacted	FY 2009 Enacted	% Change from FY08 to FY09	FY 2010	% Change from FY09 to FY10	FY 2011 Requested	% Change from FY10 to FY11
					President's Budget			
Automated Standard Application for Payments (ASAP)	Payments	2,234	2,422	8.4%	625	-74.2%	647	3.5%
Debit Gateway	Collections	0	0	0.0%	500	0.0%	0	-100.0%
Deposit and Data Management (DDM)	Collections	1,226	1,276	0.0%	1,310	0.0%	578	-55.9%
FMS EFTPS (Electronic Federal Tax Payment System)	Collections	638	659	N/A	682	3.5%	705	3.4%
FedDebt	Debt Collection	0	0	0.0%	0	0.0%	0	0.0%
Financial Information and Reporting Standardization (FIRST)	Government-wide Accounting	6,039	7,342	21.6%	8,297	13.0%	8,884	7.1%
Government-Wide Accounting and Reporting Modernization (GWA)	Government-wide Accounting	10,011	9,787	-2.2%	9,983	2.0%	10,186	2.0%
International Treasury Services (ITS.gov)	Payments	1,650	341	0.0%	351	2.9%	362	3.1%
Internet Payment Platform (IPP)	Payments	300	308	0.0%	320	3.9%	329	2.8%
Intra-Governmental Payment and Collection (IPAC)	Government-wide Accounting	500	552	10.4%	625	13.2%	647	3.5%
PACER	Payments	2,489	2,631	5.7%	2,714	3.2%	2,800	3.2%
Pay.gov	Collections	545	569	4.4%	573	0.7%	590	3.0%
Payment Application Modernization (PAM)	Payments	12,167	12,123	-0.4%	13,406	10.6%	13,751	2.6%
Secure Payment System (SPS)	Payments	20,332	3,901	-80.8%	3,988	2.2%	4,080	2.3%
Treasury Check Information System (TCIS)	Payments	836	854	2.2%	1,154	35.1%	1,442	25.0%
Subtotal, Major IT Investments		58,967	42,765	-27.5%	44,528	4.1%	45,001	1.1%
Non-Major IT Investments ^{2/}		7,286	5,912	-18.9%	6,466	9.4%	3,037	-53.0%
Infrastructure Investments ^{3/}		20,056	23,200	15.7%	143,151	517.0%	146,347	2.2%
Enterprise Architecture		1,400	5,493	292.4%	5,729	4.3%	5,977	4.3%
Total IT Investments ^{4/}		87,709	77,370	-11.8%	199,874	158.3%	200,362	0.2%

^{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 (TWA) platform that were not included in previous years.

^{5/} 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 the FMS Strategic Plan 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. The IT Governance Process complies with Department of the Treasury and OMB requirements for Capital Planning and Investment Control, and Enterprise Architecture. In order to enhance its IT Governance Process FMS has implemented an IT Governance Board (ITGB) comprised of its Assistant Commissioners. Before projects are started or a major change implemented, there is a formal approval process beginning with the ITGB. After initial approval the 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 ITGB, DIO Council and Architecture Review Board, 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. This includes the current cost, schedule, and performance goals status for the project. 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 its major investments.

4.2 – Program Evaluation

Program Name: Debt Collection

Assessment & Improvement Actions

- The debt collection 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 2009, FMS collected almost \$4.80 billion, an increase of \$390 million over FY 2008.
- In calendar year 2009, the Internal Revenue Service referred an additional \$56.5 billion of tax debts for continuous levy, an 18 percent increase over calendar year 2008.
- FMS is currently 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 that do business with the federal government.
 - The Defense Finance and Accounting Service is in the process of levying civilian salaries.
 - The State Reciprocal Program will be expanded to include New York in January and Kentucky in June 2010.
- FMS will continue to enhance FedDebt, a comprehensive system that integrates the payment offset and cross-servicing applications, provides Federal Program Agencies 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 Treasury Offset Program (TOP) debts.

Program Name: Collections

Assessment & Improvement Actions

- In FY 2009, FMS collected nearly \$2.9 trillion through a network of more than 9,000 financial institutions with 83 percent of the dollars collected electronically compared to 80 percent collected electronically in FY 2008.
- The Electronic Federal Tax Payment System (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. In FY 2009, EFTPS collected more than \$1.89 trillion through more than 97.9 million transactions, increasing the percentage of total taxes collected electronically despite an overall net reduction in tax revenue related to economic conditions.
- Pay.gov provides consumers and business the opportunity to complete forms and applications, make payments, and submit queries online 24 hours a day, seven days a week. Pay.gov has been implemented with 134 federal agencies representing 565 cash flows, and collected \$68.91 billion and processed 18.69 million transactions for FY 2009.
- FMS will 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 to detect and deter fraud, waste, theft and unauthorized access associated with the collection of government remittances and protection of sensitive information.
- FMS is implementing a comprehensive effort to streamline, modernize and improve the processes and systems supporting Treasury's collections and cash management program. Through the expanded use of web-based technologies, this effort supports the integration of financial and performance information government-wide by providing data on a daily basis.

Program Name: Payments

Assessment & Improvement Actions

- In FY 2009 FMS issued over 1 billion non-Defense payments, with a dollar value of approximately \$2.3 trillion. Overall, 81 percent of Treasury payments and associated information were made electronically, an increase of two percent from FY 2008.
- Treasury's Go Direct campaign which encourages current federal benefit check recipients to switch to direct deposit concluded an extremely successful fourth year, in which over one million conversions were attributed to the Go Direct campaign. The current number of total conversions obtained since the inception of the campaign is over three million.
- In April 2008, FMS implemented Direct Express, a branded debit card program, which provides an electronic option for those federal check recipients who do not have bank accounts to receive their federal benefit payments. The card is currently available to Social Security and Supplemental Security Income recipients, and FMS is optimistic that other benefit payments will be implemented in CY 2010. As of December 31, 2009, over 851,000 beneficiaries had signed up for Direct Express.
- In FY 2011, FMS is projecting the percentage of electronic payments to be 83 percent. While electronic payments are expected to increase, the on-set of the baby boomer retirements, will not necessarily result in the equivalent decrease in check payments.
- FMS has also undertaken considerable efforts to modernize its payment systems, incorporating new technologies and the internet. Some of the programs 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 September 2009, over 20.5 million EFT transactions with a dollar value in excess of \$3 billion were processed via the SVC programs. In FY 2009 alone, the SVC programs collected over \$1 billion through the processing of over 7 million EFT transactions.
 - Print and Check Enclosing (PrinCE): This project is the ongoing replacement and modernization of Regional Financial Center (RFC) manual check wrapping equipment and the legacy software sub-system with intelligent mail piece inserter equipment. FMS produces approximately 197 million Treasury checks annually, including IRS income tax refunds, Social Security Administration benefits, Veterans Affairs benefits and others. In addition to check production, specialized jobs are performed where documents are printed and inserted with or without checks.

Treasury checks and payment related documents are currently handled by the Check Wrapper Systems at the RFCs, some of which are 40 years old. PrinCE will produce upgraded check processing software and hardware components, which will provide improved accountability for each mail piece that is received from the mainframe payment systems. Check payment mail pieces will be tracked through the check enclosing process until each mail piece is successfully enclosed for mailing. The upgraded check enclosing process will improve internal controls and reduce the opportunity for human error and fraud. The Automated Document Factory (ADF) function of PrinCE will automatically track and account for each check processed through a network interface, and enhance accountability in a seamless and transparent manner. ADF will position FMS to better react in the event it needs to deploy its Business Continuity Plan.

- *Payment Application Modernization (PAM)*: PAM is an effort to replace the current mainframe-based software applications that are used to disburse over one billion federal payments annually with a total dollar value of almost \$2.7 trillion. This single application will generate check, wire transfer, and ACH payments for FPAs, including IRS, Social Security Administration, 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, that incorporate new and enhanced functionality that supports improvements in the payment process. PAM currently processes Supplemental Security Income (SSI) monthly ACH payments, SSI monthly checks, and SSI Daily ACH/Check payments.

Program Name: Government-wide Accounting and Reporting

Assessment & Improvement Actions

- FMS met the 45-day reporting deadline for the FY 2008 Consolidated Financial Report (FR) of the United States Government. The FR presents a picture of government-wide finances that complements the traditional federal government budget information. It is invaluable when assessing the long-term impact of the government's policy decisions and the timely availability of this additional information is critical to a fully informed budget process.
- FMS continues to make improvements to its policies, procedures, information systems, and internal controls associated with compiling and issuing the FR which resulted in the elimination of 16 of 56 open Government Accountability Office findings and recommendations in the FY 2008 Audit Report. FMS will continue to resolve the preparation issues that are within its realm of control. However, there are other preparation data integrity issues that depend on accurate and consistent data being submitted by the agencies.
- To complement and support the accelerated release of the FR, Treasury continues to release the *Monthly Treasury Statement* (the monthly public source of budgetary results) on the eighth workday of each month which allows Treasury to provide agency financial managers complete and accurate financial data on a timelier basis for use in the preparation of their financial statements.
- FMS performs the accounting for the federal government's operating cash, and provides critical support related to government-wide cash forecasting and cash management functions.
- One of FMS' 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, is the Government-wide Accounting (GWA) Modernization Program. This multi-year effort 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 by agencies, resulting in significant government-wide savings. It will also improve the budgetary information being collected from the agencies at the transaction level. In 2009, the Provisional Account Statement was implemented to provide agencies the ability to view their transactions on a daily basis. The ability to reclassify these transactions daily was implemented in November 2009. The program has scheduled implementation of Common Government-wide Accounting Code Treasury Account Symbol for late 2010.