

Financial Management Service

Mission Statement

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

Program Summary by Budget Activity

Dollars in Thousands

| Appropriation | FY 2007 | FY 2008 | | FY 2009 | |
|--|------------------|------------------|------------------|----------------|----------------|
| | Enacted | Enacted | Request | \$ Change | % Change |
| Financial Management Service | | | | | |
| Payments | \$148,408 | \$145,977 | \$147,445 | \$1,468 | 1.01% |
| Collections | 17,434 | 19,804 | 21,481 | 1,677 | 8.47% |
| Debt Collection | 5,029 | 0 | 0 | 0 | 0.00% |
| Government wide Accounting and Reporting | 64,510 | 68,642 | 70,418 | 1,776 | 2.59% |
| Total Appropriated Resources | \$235,381 | \$234,423 | \$239,344 | \$4,921 | 2.10% |
| Total FTE | 1,761 | 1,692 | 1,500 | (192) | -11.35% |

FY 2009 Priorities

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

Table of Contents

| | |
|--|-----------|
| Section 1 – Purpose | 1 |
| 1A – Description of Bureau Vision and Priorities | 1 |
| 1B – Program History and Future Outlook..... | 2 |
| Section 2 – Budget Adjustments and Appropriation Language | 5 |
| 2.1 – Budget Adjustments Table..... | 5 |
| 2A – Budget Increases and Decreases Description | 5 |
| 2.2 – Operating Levels Table..... | 8 |
| 2.3 – Appropriations Detail Table | 9 |
| 2B – Appropriations Language and Explanation of Changes..... | 9 |
| 2C – Permanent, Indefinite Appropriations | 9 |
| 2.4 – Permanent, Indefinite Appropriations..... | 11 |
| 2C – Legislative Proposals | 11 |
| Section 3 – Budget and Performance Plan | 12 |
| 3.1 – Budget by Strategic Outcome | 12 |
| 3A – Payments | 12 |
| 3.2.1 – Payments Budget and Performance Plan | 14 |
| 3B – Collections..... | 15 |
| 3.2.2 – Collections Budget and Performance Plan | 16 |
| 3C – Debt Collection | 17 |
| 3.2.3 – Debt Collection Budget and Performance Plan | 18 |
| 3D – Government wide Accounting and Reporting | 18 |
| 3.2.4 – Government wide Accounting and Reporting Budget and Performance Plan . | 20 |
| Section 4 – Supporting Materials | 21 |
| 4A – Human Capital Strategy Description | 21 |
| 4.1 – Summary of IT Resources Table | 23 |
| 4.1 – Summary of IT Resources Table (continued)..... | 24 |
| 4B – Information Technology Strategy | 25 |
| 4.2 – PART Evaluation Table..... | 26 |

Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Financial Management Service (FMS) plays a key role in supporting the Department of the Treasury's strategic goal of managing the United States Government's finances effectively by operating as the financial manager and principal fiscal agent for the federal government. This role includes managing the nation's finances by collecting money due to the United States, making its payments and performing central accounting functions. Three FMS programs – payments, collections and cash forecasting – are part of the nation's Financial Critical Infrastructure which requires these activities to be fully operational at all times.

FMS' Strategic Goals, as reflected in the FY 2009 priorities, are to:

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

FMS provides critical services to millions of United States taxpayers and other customers. It embodies Treasury's leadership strategy to create value for the American people, provide responsible and effective stewardship over the government's finances, and focus on quality service results and innovation. The breadth, scope and impact of FMS programs on the economy and the American public are enormous. FMS' activities touch millions of American citizens, virtually every Federal Program Agency (FPA) and state governments across the country, as well as having international reach.

As the government's financial manager, FMS oversees a daily cash flow in excess of \$60 billion, disbursing 85 percent of the federal government's payments. These payments include income tax refunds, Social Security benefits, veterans' benefits and other federal payments to individuals and businesses. FMS also administers the world's largest collection system, collecting over \$3.0 trillion in FY 2007. FMS provides cash management guidance to FPAs, maintains the government's accounting books, and compiles and publishes government-wide financial information used to monitor the

government's financial status. Finally, FMS serves as the government's central debt collection agency for delinquent non-tax debt.

1B – Program History and Future Outlook

The Payments program develops and implements federal payment policy and procedures, issues and distributes payments, promotes the use of electronics in the payment process, and assists agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). This includes controlling and providing financial integrity to the payments process through reconciliation, accounting, and claims activities. It also includes special payments such as Federal Emergency Management Agency payments and the recent telephone excise tax refund. In FY 2007, FMS issued over 981 million non-Defense payments worth \$1.6 trillion to a wide variety of recipients, such as those who receive Social Security benefits, IRS tax refunds and veterans' benefits. Seventy-eight percent of all payments disbursed were issued via direct deposit

Streamlining the payments processes while continually investing in state-of-the-art technology is integral in processing payments accurately, timely, and more safely and securely for the taxpayer. In FY 2009, FMS will continue to expand the use of electronic media to deliver federal payments. Electronic media provides a safer, more secure and reliable method of payment for recipients. It also decreases the number of paper checks issued, which minimizes costs and inefficiencies associated with the delivery of non-electronic benefits.

The Collections program collects revenues needed to operate the federal government through the effective management of the government's collections infrastructure. In FY 2007, FMS collected \$3.1 trillion through a network of more than 9,000 financial institutions, of which 79 percent were done electronically. Dollar revenues collected in FY 2007 exceeded those collected in FY 2006 by six percent. The most important program that supports electronic collections is the Electronic Federal Tax Payment System (EFTPS). EFTPS is a tax payment system that offers all businesses and individuals the convenience of making their federal tax payments electronically 24 hours a day, seven days a week.

In FY 2009, FMS will continue to expand the use of electronic collection mechanisms that use the most advanced and secure collection technologies that are flexible enough to accommodate the varying needs and technical sophistication of all taxpayers and FPAs. In addition, FMS will work to streamline, modernize and improve the processes and systems supporting Treasury's collections and cash management program. Currently, collection agents report collections information to many FPAs and multiple U.S. Treasury systems. To collect this information, the FPAs and U.S. Treasury systems interface with many different sources using a variety of formats and interface technologies. FMS is developing a system which will provide a single touch point for information reporting and retrieval via transaction brokering, data warehousing, and business intelligence. The single touch point will enable the standardization and consolidation of collections information and eliminate redundancies in the federal

government's collections reporting processes. FMS will also continue to focus on security oversight efforts at financial agent processing facilities and banking institutions as a way to proactively identify security control weaknesses and detect and deter fraud, waste, theft and unauthorized access associated with the collection of government remittances and protection of sensitive information.

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

In FY 2007, FMS collected a record \$3.76 billion in delinquent debt. Debt referrals from creditor agencies were at 100 percent of eligible debt at the end of FY 2007. As a result of FMS' continued program improvements, total collections since the enactment of the DCIA in 1996 are over \$31.7 billion. By FY 2009, FMS' Integrated FedDebt system will have combined FMS' Cross-Servicing program and the Treasury Offset Program (TOP) into one system. This reduces redundancies, improves data integrity, and provides agencies direct online access. FMS will also continue to roll out Debt Check, an online program used to help agencies bar delinquent debtors from obtaining new loans or loan guarantees. In addition, a Federal Contractor Tax Compliance Task Force subgroup consisting of the FMS, the IRS, and the Center for Medicare and Medicaid Services (CMS) is examining how best to incorporate CMS payments to Medicare providers into the Federal Payment Levy Program.

The Government-wide Accounting and Reporting program maintains the federal government's books and accounts for its monetary assets and liabilities by operating and overseeing the government's central accounting and reporting system. For FY 2007, FMS released the Financial Report of the United States Government (FR) 75 days after the fiscal year-end for the fourth consecutive year. The FR presents a picture of government-wide finances that complements the traditional federal government budget information. It is invaluable when assessing the long-term impact of the government's policy decisions and the timely availability of this additional information is critical to a fully informed budget process. To complement and support the accelerated release of the FR, Treasury continues to release the Monthly Treasury Statement (the monthly public source of budgetary results) on the eighth workday of each month. With this release schedule, agency financial managers are better able to verify and use the data in their own reports.

In FY 2009, FMS will continue to revamp and implement government-wide accounting processes to provide more useful and reliable financial information on a regular basis. FMS has two major initiatives which will modernize long standing federal accounting processes and provide agencies with methodologies and tools to improve the accuracy and consistency of their financial data.

FMS is building and implementing a system that replaces existing government-wide accounting functions and processes that vastly improves the exchange of financial

information among FMS, FPAs, Office of Management and Budget (OMB) and the banking community. This system will improve the reliability, usefulness, and timeliness of the government's financial information, provide agencies and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies, resulting in significant government-wide savings. As part of the system redesign, FMS provides agencies with a web-based account statement resembling a bank statement, which contains summarized Treasury fund account balance activity. Once fully implemented, agencies will have daily direct access through a web-based system to the data supporting the items on the account statement for reconciliation and fund reclassification, rather than having to use multiple systems. Fund balance information will be available to agencies on a near real-time (one-day lag) basis. This will move the government one step closer to achieving its objective of producing financial information on a regular, recurring basis more quickly and reliably. In FY 2009, FMS will be working with FPAs to report payment, collection and intra-governmental payment and collection transactions to the new Government-wide Accounting System.

In FY 2009, FMS will also continue moving forward on the Financial Information and Reporting Standardization (FIRST) initiative. This initiative integrates budget and financial reports from FPAs. FIRST will improve the consistency of the budgetary and proprietary accounting data recorded in agency financial statements and reported to FMS through its trial balance. FIRST is designed to provide authoritative information, contained in Treasury's central accounting system, to the agencies to facilitate the reconciliation process for specific intra-governmental transactions.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

| Financial Management Service | FTE | Amount |
|--|--------------|------------------|
| FY 2008 Enacted | 1,692 | \$234,423 |
| Base Realignment: | | |
| FTE Adjustment | (192) | |
| Maintaining Current Levels (MCLs): | | |
| Non-Pay Inflation Adjustment | | 553 |
| Pay Annualization | | 1,080 |
| Pay Inflation Adjustment | | 3,288 |
| Total FY 2009 Base | 1,500 | \$239,344 |
| Program Decreases: | | |
| Government-Wide Accounting & Reporting Modernization Program | | (326) |
| Payments Operations | | (172) |
| Accounting Architecture | | (460) |
| Program Reinvestment: | | |
| Financial Information Reporting Standardization (FIRST) | | 958 |
| Subtotal FY 2009 Program Changes | 0 | 0 |
| Total FY 2009 President's Budget Request | 1,500 | \$239,344 |

2A – Budget Increases and Decreases Description

Base Realignment+\$0 / -192 FTE

FTE Adjustment +\$0 / -192 FTE

FMS identified 192 unfunded base FTE upon review of its FY 2008 proposed financial plan, which is reflected by this adjustment.

Maintaining Current Levels (MCLs)+\$4,921,000 / +0 FTE

Non-Pay Inflation Adjustment +\$553,000 / +0 FTE

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

Pay Annualization +\$1,080,000 / +0 FTE

Funds are requested for the FY 2009 cost of the January 2008 pay raise.

Pay Inflation Adjustment +\$3,288,000 / +0 FTE

Funds are requested for the FY 2009 pay raise.

Program Decreases-\$958,000 / +0 FTE

Government-Wide Accounting & Reporting Modernization Program -\$326,000 / +0 FTE

As a result of efficiencies gained through modernization and a decreased requirement for contractor support for legacy applications and the certification and accreditation process, funding can be redirected from the Government-wide Accounting and Reporting budget activity to cover a portion of the Financial Information Reporting Standardization (FIRST) initiatives.

Payments Operations -\$172,000 / +0 FTE

As a result of improvements in the payments activity (e.g. presort equipment), FMS can redirect this funding to the Financial Information Reporting Standardization initiative.

Accounting Architecture -\$460,000 / +0 FTE

Funding has been identified in Government-wide Accounting and Reporting from prior years Accounting Architecture initiative. These funds can be redirected to the Financial Information Reporting Standardization initiative.

Program Reinvestment+\$958,000 / +0 FTE

Financial Information Reporting Standardization (FIRST) +\$958,000 / +0 FTE

FMS is requesting an increase of \$958,000 to the current base of \$2,393,000 for FIRST. This initiative will be fully funded by redirects from savings generated from the GWA program, Payments Operations and Accounting Architecture.

FIRST integrates budgetary and proprietary financial data from FPAs. Currently, budgetary and proprietary accounting data are collected separately in four different systems. FIRST will improve the consistency of agency financial information, which is reported in agency financial statements and submitted to FMS through agency accounting trial balances. This investment will move FMS closer to achieving its strategic goal of producing accurate, accessible and timely government-wide financial information and reports that contribute to improved quality of the nation's financial decision making. FIRST will accomplish this by:

- Automating the maintenance and distribution of the United States Standard General Ledger (USSGL) accounting rules and guidance through an interactive database on the internet, making it more accurate and consistent, easier to maintain, and easier to use.
- Combining four current FMS stovepipe accounting data collection systems into one quarterly submission.
- Improving the accuracy, consistency and timeliness of agency reporting by validating the agency data and balances against authoritative balances in FMS' central accounting system.
- Realizing the full benefit of the United States Standard General Ledger (USSGL) in the financial accounting and reporting for the U.S. Government.

Consistent reporting is required for central managers to make sound decisions, and is crucial to attaining FMS' strategic goal of facilitating the achievement of a clean audit opinion on the Financial Report of the United States Government (FR). This initiative provides a systemic solution to improve data accuracy and consistency for all government-wide accounting and reporting operations. FIRST will address two material weaknesses of the FR: (1) the Accounting for and Reconciliation of Intragovernmental Activity and Balances; and (2) the Preparation of Consolidated Financial Statements.

The applications that FIRST is replacing are not compliant with the FMS technical reference model. The additional resources will be used to develop the Accounting Trial

Balance (ATB) system and its interfaces to Standards and Guidance of the USSGL Interactive Database (SID) and Government-wide Financial Reporting System (GFRS) by the end of FY 2011. There will also be efficiencies realized in having only one application on one platform to maintain. In addition, government-wide agency savings, conservatively estimated at \$31 million annually, will be realized when FIRST is fully implemented. If FMS does not build FIRST, the four current reporting systems will need to be upgraded to comply with FMS' enterprise architecture at significant cost without improving functionality.

2.2 – Operating Levels Table

Dollars in Thousands

| Bureau: Financial Management Service | FY 2007 Enacted | FY 2008 President's Budget | Cong. Action including Rescission | FY 2008 Enacted Level | FY 2009 Requested Level |
|--|------------------|----------------------------|-----------------------------------|-----------------------|-------------------------|
| FTE | 1,761 | 1,692 | | 1,692 | 1,500 |
| Object Classification: | | | | | |
| 11.1 - Full-time permanent | 118,323 | 118,955 | 0 | 118,955 | 124,208 |
| 11.3 - Other than full-time permanent | 1,500 | 1,500 | 0 | 1,500 | 1,500 |
| 11.5 - Other personnel compensation | 2,500 | 3,000 | 0 | 3,000 | 3,000 |
| 11.8 - Special personal services payments | 0 | 0 | 0 | 0 | 0 |
| 12 - Personnel benefits | 26,172 | 26,200 | 0 | 26,200 | 29,888 |
| 13 - Benefits for former personnel | 175 | 175 | 0 | 175 | 175 |
| 21 - Travel and transportation of persons | 1,553 | 1,603 | 0 | 1,603 | 1,503 |
| 22 - Transportation of things | 195 | 195 | 0 | 195 | 195 |
| 23 - Rent, Communications and Utilities | 0 | 0 | 0 | 0 | 0 |
| 23.1 - Rental payments to GSA | 14,950 | 13,500 | 0 | 13,500 | 13,500 |
| 23.2 - Rental payments to others | 365 | 365 | 0 | 365 | 670 |
| 23.3 - Comm, utilities, and misc charges | 12,658 | 12,569 | 0 | 12,569 | 11,413 |
| 24 - Printing and reproduction | 700 | 500 | 0 | 500 | 500 |
| 25 - Other contractual Services | 0 | 0 | 0 | 0 | 0 |
| 25.1 - Advisory and assistance services | 4,750 | 4,800 | 0 | 4,800 | 6,002 |
| 25.2 - Other services | 22,157 | 22,081 | 0 | 22,081 | 19,035 |
| 25.3 - Other purchases of goods and services from Govt. accounts | 6,009 | 7,037 | (768) | 6,269 | 6,000 |
| 25.4 - Operation and maintenance of facilities | 950 | 1,000 | 0 | 1,000 | 500 |
| 25.5 - Research and development contracts | 0 | 0 | 0 | 0 | 0 |
| 25.6 - Medical care | 0 | 0 | 0 | 0 | 0 |
| 25.7 - Operation and maintenance of equip | 7,500 | 7,500 | 0 | 7,500 | 8,005 |
| 25.8 - Subsistence and support of persons | 0 | 0 | 0 | 0 | 0 |
| 26 - Supplies and materials | 4,250 | 4,300 | 0 | 4,300 | 3,600 |
| 31 - Equipment | 10,149 | 9,386 | 0 | 9,386 | 9,100 |
| 32 - Land and structures | 475 | 475 | 0 | 475 | 500 |
| 33 - Investments and loans | 0 | 0 | 0 | 0 | 0 |
| 41 - Grants, subsidies, and contributions | 0 | 0 | 0 | 0 | 0 |
| 42 - Insurance claims and indemnities | 50 | 50 | 0 | 50 | 50 |
| 43 - Interest and dividends | 0 | 0 | 0 | 0 | 0 |
| 44 - Refunds | 0 | 0 | 0 | 0 | 0 |
| Total Budget Authority | \$235,381 | \$235,191 | \$(768) | \$234,423 | \$239,344 |
| Budget Activities: | | | | | |
| Payments | 148,408 | 146,465 | (488) | 145,977 | 147,445 |
| Collections | 17,434 | 19,869 | (65) | 19,804 | 21,481 |
| Debt Collection | 5,029 | 0 | 0 | 0 | 0 |
| Government wide Accounting and Reporting | 64,510 | 68,857 | (215) | 68,642 | 70,418 |
| Total Budget Authority | \$235,381 | \$235,191 | \$(768) | \$234,423 | \$239,344 |

2.3 – Appropriations Detail Table

Dollars in Thousands

| Resources Available for Obligation | FY 2007 | | FY 2007 | | FY 2008 | | FY 2009 | | % Change | |
|--|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|-----------------------|--------------|
| | Obligations | | Enacted | | Enacted | | Request | | FY 2008 to FY 2009 | |
| | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT |
| New Appropriated Resources: | | | | | | | | | | |
| Payments | 924 | \$147,055 | 1,173 | \$148,408 | 1,112 | \$145,977 | 963 | \$147,445 | -13.42% | 1.01% |
| Collections | 147 | 19,649 | 113 | \$17,434 | 137 | \$19,804 | 135 | \$21,481 | -1.39% | 8.47% |
| Debt Collection | 0 | 0 | 56 | \$5,029 | 0 | \$0 | 0 | \$0 | 0.00% | 0.00% |
| Gov. Accounting and Reporting | 412 | 64,954 | 419 | \$64,510 | 443 | \$68,642 | 402 | \$70,418 | -9.21% | 2.59% |
| Subtotal New Appropriated Resources | 1,483 | \$231,658 | 1,761 | \$235,381 | 1,692 | \$234,423 | 1,500 | \$239,344 | -11.35% | 2.10% |
| Other Resources: | | | | | | | | | | |
| Recoveries | | | | | | | | | | |
| Offsetting Collections - Reimbursable Available multi-year/no-year funds | 408 | 201,445 | 370 | 196,282 | 428 | 215,179 | 441 | 228,010 | 3.04% | 5.96% |
| Transfers In/Out | | | | | | | | | | |
| Subtotal Other Resources | 408 | \$201,445 | 370 | \$196,282 | 428 | \$215,179 | 441 | \$228,010 | 3.04% | 5.96% |
| Total Resources Available for Obligation | 1,891 | \$433,103 | 2,131 | \$431,663 | 2,120 | \$449,602 | 1,941 | \$467,354 | -8.44% | 3.95% |

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, [\$234,423,000] \$239,344,000 of which not to exceed \$9,220,000 shall remain available until September 30, [2010] 2011, 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, 2008]</p> | |

2C – Permanent, Indefinite Appropriations

Federal Reserve Bank Permanent, Indefinite Appropriation

The Federal Reserve Banks (FRBs) act as fiscal agents of the United States when directed by the Secretary of the Treasury in accordance with 12 United States Code (U.S.C.) 391. The FRBs support the fiscal operations and provide banking and financial services on behalf of the Treasury of the United States. The Federal Reserve Reimbursement and Fiscal Responsibility Act of 1997 amended section 3302 (f) of title 31, U.S.C. and provided a permanent and indefinite appropriation of amounts necessary to pay the FRBs

for the services they provide as fiscal agents on behalf of the Treasury. Since the FRBs support each FMS program activity, the performance measures listed in the Salaries and Expense section of this budget apply to the work done by the FRBs. FMS estimates that the cost of FRB services for FY 2009 will be approximately \$305 million.

Financial Agent Services Permanent, Indefinite Appropriation

Congress has given the Secretary of the Treasury longstanding, broad discretion to deposit money in financial institutions and to obtain banking services by designating financial institutions to act/serve as Financial Agents (FA) of the United States Government. The services are in support of such programs as Electronic Federal Tax Payment System (EFTPS), the Lockbox Networks, plastic cards, e-commerce systems, and CA\$HLINKII, a deposit reporting and cash concentration system. These and other programs are vital to FMS strategic goals, the government's financial critical infrastructure, and the President's emphasis on expanding E-Government. The services provided by such financial institutions are authorized under numerous statutes including, but not limited to, 12.U.S.C. 90 and 265. In FY 2004, Treasury received a permanent indefinite appropriation to pay for these services.

FMS estimates that the cost of FA services for FY 2009 will be approximately \$593 million. Of this amount, approximately \$40 million is appropriated to other bureaus to pay for these services, which is reimbursed to FMS and deposited into the General Fund. The increase in the estimate from prior years is a direct result of the significant increase in volume, complexity, and transactions processed for "identity programs," such as passport and immigration fee collections. For example, as a result of the Intelligence Reform and Terrorism Prevention Act of 2004, which requires a passport for entry to the United States via air and ship from Canada, the Caribbean, and Mexico, the financial agents have seen the volume of passport applications nearly double. They have had to hire hundreds of new employees to manage the workload, open additional processing locations, implement 24 hours a day, seven days a week processing, and invest in additional sorting, extraction, imaging, and document management hardware and software. Passport applications are expected to rise again once passports are required for land border crossings from Mexico and Canada, beginning in FY 2008, and after the State Department begins to offer the option for a wallet sized passport card in addition to the traditional passport. None of the offsetting passport fees are deposited into this fund. Other identity programs administered by U.S. Citizenship and Immigration Services will lead to additional increases in transaction volume processed by financial agents, and even greater increases in volume if immigration reform legislation is passed. Given the complexity, requirements, and volumes for processing fees under these and other identity programs, outlays for this fund may increase by 50 percent over recent historical rates.

2.4 – Permanent, Indefinite Appropriations

Table 2.4
Permanent, Indefinite Appropriations
(Dollars in Thousands)

| Permanent, Indefinite Appropriation | 2007 Enacted | 2008 Enacted | FY 2009 Request |
|-------------------------------------|-----------------|-----------------|--------------------|
| Federal Reserve Bank | \$245,000 | \$295,000 | \$305,000 |
| Financial Agent Services | \$311,000 | \$426,000 | \$593,000 |

2C – Legislative Proposals

Eliminate the 10-year Limitations Period on Offset (31 U.S.C. 3716)

This proposal would eliminate the 10-year limitation on the collection of delinquent non-tax federal debts by administrative offset. This would ensure that delinquent debts can be collected by offset without regard to any statutory, regulatory or administrative limitation on the period within which debts may be collected. The proposed change would allow for the collection by offset of other federal debts consistent with the current law for student loans.

The proposal would be consistent with the Supreme Court's decision to allow the Department of Education to offset social security benefits to collect student loans over 10 years old.

Payment Transaction Integrity - Allows the federal government to trace and recover federal payments sent electronically to the wrong account.

The proposal, which amends 12 U.S.C. 3413, revises an existing exception to the Right to Financial Privacy Act so that improper electronic payments and improperly negotiated Treasury checks can be traced and recovered. Revising the exception will also permit the federal government to verify the identities of persons making payments to or receiving payments from the government.

Section 3 – Budget and Performance Plan

This table lists all FY 2009 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 2008 Enacted AMOUNT | FY 2009 Request AMOUNT | Percent Change AMOUNT |
|----------------------------|------------------------------|------------------------------|-----------------------------|
| Financial information | 68,642 | 73,597 | 7.5% |
| Payments | 283,826 | 286,029 | 1.2% |
| Revenue collected | 97,134 | 107,728 | 9.5% |
| Total | \$449,602 | \$467,354 | 3.9% |

3A – Payments (\$147,445,000 from direct appropriations and \$138,584,000 from reimbursable programs): The Payments activity issues and distributes payments, develops and implements federal payment policy and procedures, promotes the use of electronics in the payment process, and assists agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). This activity also includes controlling and providing financial integrity to the payments process through reconciliation, accounting and claims activities. Included in this activity is the claims activity which settles claims against the United States. These claims result from federal government checks that have been forged, lost, stolen or destroyed. FMS collects monies from those parties liable for fraudulent or otherwise improper negotiation of government checks. It also includes processing claims and reclamations for EFT payments.

FMS continues to expand and market the use of electronic media to deliver federal payments, improve service to payment recipients, and reduce government program costs. This helps decrease the number of paper checks issued and minimize costs associated with postage, the re-issuance of lost, stolen and misplaced checks, and inefficiencies associated with the non-electronic delivery of benefits.

Direct deposit offers federal benefit payment recipients ease and convenience, and protects against fraud and identity theft. Direct deposit also generates significant cost savings to the government over paper checks - each payment converted from paper to direct deposit saves the taxpayer over 88 cents per transaction. However, FMS faces challenges in increasing growth in electronic payments. As the government prepares for the huge increase in retiring baby boomers in the near future, it is critical that FMS dramatically increase use of direct deposit for issuing benefit payments. To increase the use of direct deposit for federal benefit payments, FMS began a nationwide campaign

called "Go Direct" to encourage current check recipients to switch to direct deposit. In the first year, Go Direct exceeded the goal to convert approximately half a million check recipients to direct deposit, savings millions of dollars for the United States Treasury in the years to come. In December 2007, the Go Direct campaign achieved a major milestone, converting 1.6 million check recipients to direct deposit, since the inception of the campaign.

Additionally, in FY 2007, FMS implemented a pilot program, Direct Express, which targeted the un-banked, to disburse benefit payments through debit cards. A survey of the Direct Express cardholders in July 2007 showed that 85 percent of those surveyed are satisfied with Direct Express, and four out of five people report that they would recommend the card. After conducting an evaluation of the pilot, FMS expects to roll out this debit card program nationwide and extend it to other benefit payments in the summer of 2008. Debit cards represent another electronic payment alternative to checks and one that holds promise for the unbanked. FMS is also working with the Social Security Administration to develop plans (entitled Universal Direct Deposit) which will require newly enrolled beneficiaries to receive payments electronically unless they do not have a bank account.

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

- Stored Value Card (SVC): This is a smartcard, similar to a credit/debit card, using an encrypted computer chip to process "electronic money" stored on the card. This program is aimed at reducing the float-loss associated with the more than \$2 billion in coin and currency in circulation at military bases, ships at sea, and other closed government locations around the world. From 1997 to September 2007, over 8 million EFT transactions with a dollar value in excess of \$1.3 billion were processed via the SVC programs.
- Automated Standard Application for Payments (ASAP.gov): ASAP is a web-based system built by FMS in coordination with the Federal Reserve Bank of Richmond. Through this all electronic grants payment system, organizations including states, universities, for-profit and non-profit entities receive federal funds from accounts pre-authorized by federal agencies. ASAP is one of two systems authorized by the Chief Financial Officer's Council to disburse civilian grant payments on behalf of program agencies. Twenty-five federal agencies use ASAP.gov and the total FY 2007 disbursements to organizations were \$447 billion.
- Internet Payment Platform (IPP): The IPP will provide a centralized electronic invoicing and payment information portal accessible to all participants in federal payment transactions: agencies, payment recipients, and FMS. The use of IPP lowers costs for FMS and federal agencies by converting paper-based financial management activities, such as purchase orders and invoices, into automated online processes. It also provides a single central repository that allows suppliers access to the data they

need to handle many inquiries on their own and avoid numerous disputes. The IPP is designed to yield government-wide efficiencies by (1) reducing paper processing by accounts payable, (2) enhancing Treasury's value and service to its citizens by increasing access to and quality of payment data, and (3) providing a single central application in which government finance departments can engage with their suppliers, and in which government suppliers can engage with agencies.

Other Resources:

Offsetting collections and reimbursements totaling \$138,584,000 are collected for disbursement of federal agency payments to beneficiaries, including Social Security payments, Railroad Retirement Board payments, tax refunds and the Department of Veterans Affairs benefit payments.

3.2.1 – Payments Budget and Performance Plan

| Payments Budget Activity | | | | | |
|--------------------------|----------------------|----------------------|----------------------|--------------------|--------------------|
| Resource Level | FY 2005 Obligated | FY 2006 Obligated | FY 2007 Obligated | FY 2008 Enacted | FY 2009 Request |
| Appropriated Resources | \$135,872 | \$142,979 | \$147,055 | \$145,977 | \$147,445 |
| Reimbursable Resources | \$129,264 | \$134,400 | \$132,712 | \$137,849 | \$138,584 |
| Total Resources | \$265,136 | \$277,379 | \$279,767 | \$283,826 | \$286,029 |

| | | | | | |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Budget Activity Total | \$265,136 | \$277,379 | \$279,797 | \$283,826 | \$286,029 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|

| Payments Budget Activity | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Measure | FY 2005 Actual | FY 2006 Actual | FY 2007 Actual | FY 2008 Target | FY 2009 Target |
| Number of check payments (Millions) (Ot) | 228 | 219 | 215 | 208 | 204 |
| Number of electronic payments (Millions) (Ot) | 725 | 745 | 767 | 787 | 809 |
| Unit cost for Federal Government payments (\$) (E) | \$.35 | \$.37 | \$.39 | \$.40 | \$.40 |
| Percentage of Treasury Payments and associated information made electronically (%) (Oe) | 76.00% | 77.00% | 78.00% | 79.00% | 80.00% |
| Percentage of paper check and Electronic Funds Transfer (EFT) payments made accurately and on time (%) (Oe) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

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

Description of Performance: FMS disburses 85 percent of the federal government's payments to a wide variety of recipients, such as those who receive Social Security Administration payments, Internal Revenue Service tax refunds, and the Department of Veterans Affairs benefits. In FY 2007 FMS issued over 981 million non-Defense payments, with a dollar value of approximately \$1.6 trillion. Seventy-eight percent of these transactions were issued by Electronic Funds Transfer. In FY 2009, FMS is targeting the percentage of electronic payments to be 80 percent.

3B – Collections (\$21,481,000 from direct appropriations): The Collections activity collects revenues needed to operate the federal government through the management of the federal government’s collections infrastructure. FMS collected a record of \$3.1 trillion in FY 2007 through a network of more than 9,000 financial institutions. It also manages the collection of federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines and proceeds from leases. FMS establishes and implements collection policies, regulations, standards and procedures for the federal government. The majority of dollar collections are made electronically. In FY 2007, 79 percent of dollar collections were electronic. FMS has set its FY 2009 target for the percentage collected electronically to be 80 percent.

FMS develops and operates a variety of collection mechanisms and systems to meet program agency needs. It has initiated a comprehensive effort to streamline, modernize and improve the processes and systems supporting Treasury’s collections and cash management program. This effort, Collections and Cash Management Modernization, 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. 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.

FMS continues to promote the use of electronics in the collections process and assist agencies in converting collections from paper to electronic media with programs such as:

- Electronic Federal Tax Payment System (EFTPS): This is an accurate, secure and convenient way to pay all federal tax payments, including corporate, excise and employment taxes and 1040 quarterly estimated taxes via the internet or a telephone voice response system. EFTPS processes 95 percent of United States tax dollars and is required for businesses with annual federal tax obligations above \$200,000. FMS is also working to communicate the benefits of EFTPS – accuracy, security, simplicity and flexibility – to financial institutions, small businesses and tax practitioners. The goal is to encourage businesses and individuals to pay their federal taxes electronically through EFTPS rather than by using paper Federal Tax Deposit coupons, which number close to 38 million. FMS 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. Through September 30, 2007, more than 90 million payments were processed through EFTPS, which represents an 8.33 percent increase over FY 2006.
- Pay.gov: Pay.gov is an innovative system that allows individuals and businesses to make non-tax payments to federal agencies over the internet. Pay.gov provides collections, form submittal, bill presentment, authentication and agency financial reporting services. Since inception, it has processed approximately 23.5 million

transactions valued at over \$86.6 billion. Pay.gov responds to the increasing demands of consumers and businesses for electronic alternatives by providing the opportunity to complete forms and applications, make payments, and submit queries online 24 hours a day, seven days a week. Pay.gov, which has been implemented with 102 federal agencies representing 317 cash flows, collected \$37.9 billion in FY 2007 and \$29.5 billion in FY 2006. New development will focus on interfaces with new systems within the new Collections Business Line Enterprise Architecture.

- ***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 a key program in realizing FMS’ goal of increasing electronic collections and reducing collection costs. In FY 2007, more than 9.7 million items received over the counter, representing more than \$14 billion, were processed through check conversion or truncation. Additionally, through FY 2007 more than 7.7 million items received through the mail at lockboxes, representing more than \$6.4 billion, were similarly processed. By the end of FY 2009, it is FMS’ goal that all paper checks remitted to the federal government via lockboxes will be converted or truncated and processed electronically.

3.2.2 – Collections Budget and Performance Plan

| Collections Budget Activity | | | | | |
|------------------------------------|------------------------------|------------------------------|------------------------------|----------------------------|----------------------------|
| Resource Level | FY 2005 Obligated | FY 2006 Obligated | FY 2007 Obligated | FY 2008 Enacted | FY 2009 Request |
| Appropriated Resources | \$16,229 | \$18,291 | \$19,649 | \$19,804 | \$21,481 |
| Reimbursable Resources | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Resources | \$16,229 | \$18,291 | \$19,649 | \$19,804 | \$21,481 |

| | | | | | |
|------------------------------|-----------------|-----------------|------------------|-----------------|-----------------|
| Budget Activity Total | \$16,229 | \$18,291 | \$169,649 | \$19,804 | \$21,481 |
|------------------------------|-----------------|-----------------|------------------|-----------------|-----------------|

| Collections Budget Activity | | | | | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Measure | FY 2005 Actual | FY 2006 Actual | FY 2007 Actual | FY 2008 Target | FY 2009 Target |
| Unit cost to process a Federal revenue collection transaction (\$) (E) | \$1.20 | \$1.10 | \$1.19 | \$1.30 | \$1.27 |
| Percentage collected electronically of total dollar amount of Federal government receipts (%) (Oe) | 79.00% | 79.00% | 79.00% | 79.00% | 80.00% |

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

Description of Performance: In FY 2007, FMS collected a record \$3.1 trillion through a network of more than 9,000 financial institutions. The majority of the dollar amounts of FMS collections were made electronically – 79 percent of the \$3.1 trillion collected. However, approximately half of the transactions, 51.6 percent in FY 2007, are paper checks. In FY 2007, taxpayers paid more than \$2.0 trillion using EFTPS, up 8.3 percent from FY 2006, and the number of payments to the government rose 8 percent, to 90 million. FMS stepped up its efforts in FY 2007 to work with federal agencies to promote

the use of electronics in the collections process and assists agencies in converting collections from paper to electronic media.

3C – Debt Collection (*\$86,247,000 from reimbursable programs*): The Debt Collection activity collects delinquent government and child support debt by providing centralized debt collection, oversight and operational services to Financial Program Agencies (FPAs) and states as required by the Debt Collection Improvement Act of 1996 and related legislation. The services include, but are not limited to, collecting delinquent debts through Cross-Servicing and offsetting federal payments, providing a database for use as a tool for barring delinquent debtors, providing post-judgment collection, advising and educating agencies towards improving debt management, and referrals to the Department of Justice.

By FY 2009, FMS will collect delinquent debt through FedDebt, a comprehensive system that integrated FMS' previous collection tools: Cross-Servicing and the Treasury Offset Program (TOP). The TOP FedDebt function compares the names and Taxpayer Identifying Numbers (TINs) of debtors with the names and TINs of recipients of federal payments. If there is a match, the federal payment is reduced, or "offset," to satisfy the overdue debt. Cross-Servicing activities include applications for various collection tools such as offset, demand letters to debtors, repayment agreements, administrative wage garnishment, referrals to the Department of Justice, credit bureau reporting, reporting discharged debts to the Internal Revenue Service (IRS), and use of private collection agencies.

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

FMS is working to incorporate additional payment types into the payment offset and levy programs. This effort is directed primarily at increasing collections of debt, especially tax debt owed by contractors and vendors. FMS is working with the Center for Medicare and Medicaid Services (CMS) and IRS to determine the most efficient approach for bringing CMS medical debts into the levy and offset programs. In addition, enhancements of collection tools such as Administrative Wage Garnishment and Debt Check, an online database used to assist agencies in barring delinquent debtors from obtaining new loans or loan guarantees, will improve program performance.

3.2.3 – Debt Collection Budget and Performance Plan

| Debt Collection Budget Activity | | | | | |
|---------------------------------|----------------------|----------------------|----------------------|--------------------|--------------------|
| Resource Level | FY 2005 Obligated | FY 2006 Obligated | FY 2007 Obligated | FY 2008 Enacted | FY 2009 Request |
| Appropriated Resources | \$8,738 | \$5,393 | \$0 | \$0 | \$0 |
| Reimbursable Resources | \$29,793 | \$28,312 | \$67,611 | \$77,330 | \$86,247 |
| Total Resources | \$38,531 | \$33,705 | \$67,611 | \$77,330 | \$86,247 |
| Budget Activity Total | | | | | |
| | \$38,531 | \$33,705 | \$67,611 | \$77,330 | \$86,247 |

| Debt Collection Budget Activity | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Measure | FY 2005 Actual | FY 2006 Actual | FY 2007 Actual | FY 2008 Target | FY 2009 Target |
| Amount of delinquent debt collected per \$1 spent (\$) (E) | \$36.23 | \$39.97 | \$53.55 | \$40.00 | \$42.00 |
| Amount of delinquent debt collected through all available tools (Billions \$) (Ot) | \$3.25 | \$3.34 | \$3.76 | \$3.40 | \$3.50 |
| Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral (%) (Ot) | 97.00% | 95.00% | 100.00% | 95.00% | 95.00% |

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

Description of Performance: In FY 2007, FMS collected a record \$3.76 billion in delinquent debt, which exceeded the FY 2007 target of \$3.2 billion. This includes \$1.7 billion in past due child support, \$1.47 billion in federal non-tax debt, and over \$586 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 2007. As a result of the continued program improvements, collections have steadily increased to more than \$31.7 billion since the enactment of the Debt Collection Improvement Act of 1996. In calendar year 2007, the Internal Revenue Service referred an additional \$32.2 billion of tax debts for continuous levy, a 14 percent increase from calendar year 2006 for the same period.

3D – Government wide Accounting and Reporting (\$70,418,000 from direct appropriations and \$3,179,000 from reimbursable programs): The Government-wide Accounting and Reporting activity maintains the federal government’s books and accounts for its monetary assets and liabilities by operating and overseeing the government’s central accounting and reporting system. It also works with federal agencies to adopt uniform accounting and reporting standards and systems and provides support, guidance and training to assist FPAs in improving their government-wide accounting and reporting responsibilities. FMS gathers and publishes government-wide financial information which is used in establishing fiscal and debt management policies and is also used by the public and private sectors to monitor the government’s financial status. These publications include: the Daily Treasury Statement, the Monthly Treasury Statement, the Treasury Bulletin, the Combined Statement of the United States Government, and the Financial Report of the United States Government (FR).

FMS is building and implementing a system to improve the exchange of financial information among FMS, FPAs, OMB and the banking community. Once completed,

this project, the Government-wide Accounting (GWA) Modernization Project will comprehensively replace current government-wide accounting functions and processes that are both internal and external to FMS. In FY 2008 and FY 2009, FMS will be working with FPAs to roll-out the new GWA system for the reporting of payments, collections and intra-governmental collection and payment transactions. It will improve the reliability, usefulness, and timeliness of the government's financial information, provide FPAs and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies. In addition, FPAs will have better tools for reporting financial information and access to daily account statements for monitoring the status of their financial information at the Treasury Department. This initiative will result in significant savings throughout government as agencies will no longer have to prepare month-end reports classifying all of their disbursement and collection transactions or performing reconciliations on statements of differences associated with this month-end reporting.

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

- Requiring comprehensive accounting data from agencies on a quarterly basis that will allow FMS to better analyze the data for consistency and completeness.
- Providing agencies with authoritative data to reconcile inter-agency transfers and other transactions that agencies report to the central accounting system.
- Using the Chief Financial Officers (CFO) Council, Treasury Reporting Group as a forum to discuss these accounting and reporting issues that affect the FR.
- Working with the CFO Council and OMB to develop more consistent business rules for intra-governmental transactions.
- Encouraging greater auditor participation by requiring agency auditors to more closely scrutinize intra-governmental out-of-balance conditions with other agencies.

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

In FY 2009, FMS will continue moving forward on the Financial Information and Reporting Standardization (FIRST) initiative. This initiative integrates budget and financial reports from FPAs. FIRST will improve the consistency of the budgetary and proprietary accounting data recorded in agency financial statements and reported to FMS through its trial balance. FIRST is designed to provide authoritative information, contained in Treasury's central accounting system, to the agencies, to facilitate the reconciliation process for specific intra-governmental transactions.

3.2.4 – Government wide Accounting and Reporting Budget and Performance Plan

| Government wide Accounting and Reporting Budget Activity | | | | | |
|--|----------------------|----------------------|----------------------|--------------------|--------------------|
| Resource Level | FY 2005 Obligated | FY 2006 Obligated | FY 2007 Obligated | FY 2008 Enacted | FY 2009 Request |
| Appropriated Resources | \$62,668 | \$67,338 | \$64,954 | \$68,642 | \$70,418 |
| Reimbursable Resources | \$0 | \$0 | \$1,122 | \$0 | \$3,179 |
| Total Resources | \$62,668 | \$67,338 | \$66,076 | \$68,642 | \$73,597 |
| Budget Activity Total | \$62,668 | \$67,338 | \$66,076 | \$68,857 | \$73,597 |

| Government wide Accounting and Reporting Budget Activity | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Measure | FY 2005 Actual | FY 2006 Actual | FY 2007 Actual | FY 2008 Target | FY 2009 Target |
| Unit Cost to Manage \$1 Million Dollars of Cash Flow | Baseline | \$8.50 | \$10.36 | \$11.72 | \$13.39 |
| Percentage of Government-wide accounting reports issued accurately (%) (Oe) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Percentage of Government-wide accounting reports issued timely (%) (E) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

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

Description of Performance: FMS issues 100 percent of its government-wide accounting reports accurately and timely. For the fourth consecutive year, FMS released the *Financial Report of the United States Government (FR)* 75 days after the fiscal year-end. In FY 2006, Government Accountability Office (GAO) acknowledged and noted improvements with regard to consistency with agency information in the Balance Sheet, the Statement of Net Cost and Statement of Social Insurance and in the note disclosures that are directly linked to the amounts on these principal financial statements.

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

<http://www.treasury.gov/offices/management/dcfo/accountability-reports/2007-par.shtml>

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 President's Management Agenda, and Treasury's strategic goal to manage the United States Government's Finances Effectively.

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

- Strategic Alignment: A human capital strategy is aligned with FMS' mission, goals, organizational objectives, and is integrated into the strategic plans, performance plans and budgets.
- Workforce Planning & Deployment: FMS is citizen-centered, delayed, mission-focused, and leverages E-Government and competitive sourcing.
- Leadership & Knowledge Management: Leaders and managers effectively manage people, ensure continuity of leadership, and sustain a learning environment that drives continuous improvement in performance. Succession strategies result in a diverse leadership talent pool that is continually updated.
- Results-Oriented Performance Culture: FMS has a diverse, results-oriented, high performance workforce, a performance management system and awards program that effectively differentiates between high and low performance. It holds employees accountable, links individual/team/unit performance to organizational goals and desired results.
- Diversity: Under-representation is addressed, particularly in mission-critical occupations and leadership positions and processes are in place to sustain diversity.
- Talent: FMS has significantly reduced mission-critical skills, knowledge and competency gaps. FMS is making significant progress and demonstrates continued improvement in meeting agreed-upon hiring timeline goals, i.e., the 45-day hiring model.
- Accountability: Human capital decisions are guided by a data-driven results-oriented planning and accountability system.

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

FMS has action plans to attain and maintain the right number of people with the right skills to accomplish the mission. It continually manages the ongoing challenge of

recruiting and retaining highly skilled individuals in critical areas, including Accountants (with strong analytical skills) and IT Specialists. These challenges have increased with heightened competition from the private sector. In addition, there is ongoing position management and assessment of FTE distribution. As vacancies occur, they are reviewed to determine whether the position should be back-filled, the FTE be redirected as appropriate, or the FTE be eliminated. This is how FMS counters the possibility of either a surplus or deficiency of staff in certain job occupations.

Through FY 2010, 26 percent of FMS' current employees are eligible for Optional Retirement and 43 percent are eligible for Discontinued Service or Early Retirement. Strategies are in place to close skill-gaps and fill staffing requirements in mission-critical occupations. This includes use of all pay incentives within budget constraints (e.g., Recruitment and Retention Incentives) and specialized employee development programs: SES Candidate Development, Project Management Certification, Management Preparatory Development, Federal Career Intern Program, Leadership, and Mentoring.

Another strategy to manage staffing needs is use of contractors and/or outsourcing. FMS supplements its workforce with contractors in security, building maintenance, IT support and various finance functions provided by the Bureau of the Public Debt. Government collections are outsourced to financial institutions and Federal Reserve Banks who serve as financial and fiscal agents of the Treasury Department.

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

- SES candidate program was developed to create a diverse pipeline 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 pipeline for new Hispanic employees.

In addition, FMS has increased participation in the Washington Internship for Native Students program as well as the Department of Labor's Workforce Recruitment Program for students with disabilities was increased. FMS continues to use the Federal Career Internship Program to facilitate and accelerate general hiring of qualified and talented minority student interns.

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

4.1 – Summary of IT Resources Table

Dollars in Thousands

| Information Technology Investments | | FY 2008 | | | | | | | |
|---|-----------------------------------|---------------------------|-----------------|----------------------------|----------------|----------------------------|-------------------|----------------------------|--|
| Major IT Investments / Funding Source | Budget Activity | FY 2006 & Earlier Enacted | FY 2007 Enacted | % Change from FY06 to FY07 | Likely Enacted | % Change from FY07 to FY08 | FY 2009 Requested | % Change from FY08 to FY09 | |
| Automated Standard Application for Payments (ASAP) | Payments | 8,739 | 2,245 | -74.3% | 2,235 | -0.4% | 2,422 | 8.4% | |
| FMS S&E no FTE | | 689 | 69 | -90.0% | 88 | 27.5% | 77 | -12.5% | |
| FMS S&E FTE Costs | | 8,050 | 2,176 | -73.0% | 2,147 | -1.3% | 2,345 | 9.2% | |
| Multi-Year | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| Debt Management Accounting System (DMAS) | Debt Collection | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | |
| FMS S&E no FTE | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| FMS S&E FTE Costs | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| Multi-Year | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| Deposit and Data Management (DDM) | Collections | 730 | 1,156 | 0.0% | 1,226 | 0.0% | 1,276 | 4.1% | |
| FMS S&E no FTE | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| FMS S&E FTE Costs | | 730 | 1,156 | N/A | 1,226 | 0.0% | 1,276 | 4.1% | |
| Multi-Year | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| FMS EFTPS (Electronic Federal Tax Payment System) | Collections | 617 | 617 | N/A | 638 | 3.4% | 659 | 3.3% | |
| FMS S&E no FTE | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| FMS S&E FTE Costs | | 617 | 617 | N/A | 638 | 3.4% | 659 | 3.3% | |
| Multi-Year | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| FedDebt | Debt Collection | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | |
| FMS S&E no FTE | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| FMS S&E FTE Costs | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| Multi-Year | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| Financial Information and Reporting Standardization (FIRST) | Government-wide Accounting | 3,384 | 4,107 | 21.4% | 5,792 | 41.0% | 7,056 | 21.8% | |
| FMS S&E no FTE | | 838 | 138 | -83.5% | 2,309 | 1573.2% | 3,351 | 45.1% | |
| FMS S&E FTE Costs | | 2,298 | 3,367 | 46.5% | 3,399 | 1.0% | 3,705 | 9.0% | |
| Multi-Year | | 248 | 602 | N/A | 84 | N/A | 0 | N/A | |
| Government-Wide Accounting and Reporting Modernization (GWA) | Government-wide Accounting | 80,711 | 15,361 | -81.0% | 10,094 | -34.3% | 9,568 | -5.2% | |
| FMS S&E no FTE | | 38,669 | 3,349 | -91.3% | 2,250 | -32.8% | 1,668 | -25.9% | |
| FMS S&E FTE Costs | | 29,282 | 9,460 | -67.7% | 5,492 | -41.9% | 5,941 | 8.2% | |
| Multi-Year | | 12,760 | 2,552 | N/A | 2,352 | N/A | 1,959 | N/A | |
| Internet Payment Platform (IPP) | Payments | 533 | 291 | 0.0% | 300 | 3.1% | 309 | 3.0% | |
| FMS S&E no FTE | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |
| FMS S&E FTE Costs | | 533 | 291 | N/A | 300 | 3.1% | 309 | 3.0% | |
| Multi-Year | | 0 | 0 | N/A | 0 | N/A | 0 | N/A | |

4.1 – Summary of IT Resources Table (continued)

Dollars in Thousands

| Information Technology Investments | | FY 2008 | | | | | | |
|---|--------------------|---------------------------|-----------------|----------------------------|----------------|----------------------------|-------------------|----------------------------|
| Major IT Investments / Funding Source | Budget Activity | FY 2006 & Earlier Enacted | FY 2007 Enacted | % Change from FY06 to FY07 | Likely Enacted | % Change from FY07 to FY08 | FY 2009 Requested | % Change from FY08 to FY09 |
| FMS S&E FTE Costs | | 4,104 | 500 | -87.8% | 500 | 0.0% | 552 | 10.4% |
| Multi-Year | | 0 | 0 | N/A | 0 | N/A | 0 | N/A |
| PACER | Payments | 11,134 | 2,325 | -79.1% | 2,489 | 7.1% | 2,631 | 5.7% |
| FMS S&E no FTE | | 6,680 | 1,441 | -78.4% | 1,578 | 9.5% | 1,693 | 7.3% |
| FMS S&E FTE Costs | | 4,454 | 884 | -80.2% | 911 | 3.1% | 938 | 3.0% |
| Multi-Year | | 0 | 0 | N/A | 0 | N/A | 0 | N/A |
| Pay.gov | Collections | 1,560 | 522 | -66.5% | 545 | 4.4% | 569 | 4.4% |
| FMS S&E no FTE | | 0 | 0 | N/A | 0 | N/A | 0 | N/A |
| FMS S&E FTE Costs | | 1,560 | 522 | -66.5% | 545 | 4.4% | 569 | 4.4% |
| Multi-Year | | 0 | 0 | N/A | 0 | N/A | 0 | N/A |
| Payment Application Modernization (PAM) | Payments | 12,445 | 12,776 | 2.7% | 12,697 | -0.6% | 11,939 | -6.0% |
| FMS S&E no FTE | | 1,490 | 985 | -33.9% | 1,027 | 4.3% | 1,039 | 1.2% |
| FMS S&E FTE Costs | | 10,730 | 11,566 | 7.8% | 11,445 | -1.0% | 10,675 | -6.7% |
| Multi-Year | | 225 | 225 | N/A | 225 | N/A | 225 | N/A |
| Secure Payment System (SPS) | Payments | 16,815 | 3,517 | -79.1% | 3,875 | 10.2% | 3,901 | 0.7% |
| FMS S&E no FTE | | 8,039 | 1,660 | 0.0% | 1,737 | 0.0% | 1,712 | -1.4% |
| FMS S&E FTE Costs | | 8,776 | 1,857 | 0.0% | 2,138 | 0.0% | 2,189 | 2.4% |
| Multi-Year | | 0 | 0 | N/A | 0 | N/A | 0 | N/A |
| Treasury Check Information System (TCIS) | Payments | 5,519 | 857 | -84.5% | 836 | -2.5% | 854 | 2.2% |
| FMS S&E no FTE | | 552 | 0 | N/A | 0 | N/A | 0 | N/A |
| FMS S&E FTE Costs | | 4,967 | 857 | -82.7% | 836 | -2.5% | 854 | 2.2% |
| Multi-Year | | 0 | 0 | N/A | 0 | N/A | 0 | N/A |
| Subtotal, Major IT Investments | | 288,478 | 88,048 | -69.5% | 81,954 | -6.9% | 82,920 | 1.2% |
| Non-Major IT Investments ^{1/} | | 11,300 | 4,845 | -57.1% | 4,893 | 1.0% | 3,789 | -22.6% |
| Infrastructure Investments ^{2/} | | 20,056 | 20,056 | 0.0% | 20,056 | 0.0% | 23,200 | 15.7% |
| Enterprise Architecture | | 1,800 | 1,400 | -22.2% | 1,400 | 0.0% | 1,370 | -2.1% |
| Total IT Investments | | 321,634 | 114,349 | -64.4% | 108,303 | -5.3% | 111,279 | 2.7% |

^{1/} In FY 2009, the number of Non-Majors reporting increased to 14 investments.

^{2/} Figures provided for FY 2009 include funding amounts for the Treasury Web Application Infrastructure (TWA) platform that were not included in previous years.

4B – Information Technology Strategy

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

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

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

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

4.2 – PART Evaluation Table

| | |
|--|-----------------|
| PART Name: | Debt Collection |
| Year PARTed: | FY 2003 |
| Rating: | Effective |
| OMB Major Findings/Recommendations | |
| <ol style="list-style-type: none">1. Develop a more ambitious long-term performance measure.2. Set interim targets and describe interim actions necessary to achieve the long-term performance measure.3. Level fund the debt collection program for FY 2005.4. Propose legislation to increase and enhance debt collection opportunities. | |
| Bureau Actions Planned or Underway | |
| <ol style="list-style-type: none">1. FMS establishes annual performance measures for collections and referrals of debt by agencies. Listed are examples of collection tools and initiatives used by FMS to achieve long-term measures:<ul style="list-style-type: none">• Administrative Wage Garnishment (AWG)• DebtCheck• Continuous Agency Outreach• President's Management Agenda (PMA)• Receivables Reporting2. A Federal Contractor Tax Compliance Task Force consisting of FMS, IRS, and the Center for Medicare and Medicaid Services is examining the issue of how best to incorporate CMS payments to Medicare providers into the Federal Payment Levy Program.3. As a result of increased debt revenues, in FY 2008 FMS' Debt Collection Budget Activity will be fully funded by fee revenue.4. FMS supports numerous legislative proposals which will enable FMS to significantly enhance our debt collection opportunities. Listed are some of the debt collection enhancement proposals for 2007-08:<ul style="list-style-type: none">• (26 U.S.C. 6402) Offsets of past-due, legally enforceable state unemployment compensation debts against overpayment. This proposal will allow FMS to offset federal tax refunds to collect past-due state unemployment compensation debts.• (21 U.S.C. 3716) Eliminate the Ten-year period of Offset. This proposal will eliminate the ten-year limitation on the collection of delinquent non-tax deferral debts by administrative offset.• Allow the IRS to issue its due process notice for levy after the levy has been served.5. The debt long-term measure will be evaluated and updated as part of FMS' update to its Strategic Plan. For 2007, FMS has a target of \$3.2 billion in collections. | |

| | |
|--|------------|
| PART Name: | Collection |
| Year PARTed: | FY 2004 |
| Rating: | Effective |
| OMB Major Findings/Recommendations | |
| <ol style="list-style-type: none"> 1. Work with program partners to explore opportunities to better reduce paper-based collections. 2. Provide 2006 funding at the same level as in 2005 (excluding funding received for services provided to other federal agencies). | |
| Bureau Actions Planned or Underway | |
| <ol style="list-style-type: none"> 1. FMS has initiated a comprehensive effort 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. 2. FMS partnered with the State of Illinois to pilot joint Federal and state tax payments through the Electronic Federal Tax Payment System (EFTPS). An evaluation is underway to determine whether this pilot can be expanded cost-effectively to additional states. For Fiscal Year 2007, EFTPS is on track to increase the volume of payments by 8% and the dollar amount of payments by 10% over Fiscal Year 2006. 3. FMS will continue to promote its other electronic collection mechanisms such as: <ul style="list-style-type: none"> • Electronic Check Processing (ECP) System which converts paper checks received at a lockbox to electronic debits or truncates the checks and processes the images via Check 21. All non-tax lockbox collections will be collected through ECP by the end of 2007 and we expect to convert tax lockbox collections by the end of 2009. • Pay.gov collects money for 99 Federal agencies. FMS will be working with a number of Federal agencies, including the Departments of Housing and Urban Development and Education to move their large cash flows to Pay.gov. • The Paper Check Conversion Over the Counter (PCC OTC) System converts paper checks to electronic debits or truncates the checks and processes the images via Check 21. PCC OTC supports 32 Federal agencies in the U.S. and overseas. • TGA.net, a web-based deposit reporting system for over-the-counter collections, is now capable of supporting activity for both domestic and international deposits. FMS will continue to convert more agencies and banks to TGA.net over the next few years. 4. Operate within budgetary resources. | |
| PART Name: | Payments |
| Year PARTed: | FY 2005 |
| Rating: | Effective |
| OMB Major Findings/Recommendations | |
| <ol style="list-style-type: none"> 1. The program must continue its efforts toward and all electronic treasury. | |
| Bureau Actions Planned or Underway | |
| <ol style="list-style-type: none"> 1. Working with Federal agencies to reduce the number of paper check payments and increasing the number of more efficient and secure electronic payments. This reflects FMS' efforts to work toward its 2010 goal of 90 percent of all payments made electronically. 2. FMS will continue to promote its electronic payment mechanisms such as Stored Value Card (SVC), a smartcard, similar to a credit/debit card, using an encrypted computer chip to process "electronic money" stored on the card and the Internet Payment Platform (IPP) which provides a centralized electronic invoicing and payment information portal accessible to all participants in federal payment transactions: agencies, payment recipients, and FMS. 3. Implemented Go Direct, a nationwide campaign to encourage current Federal check recipients to switch to direct deposit. Go Direct has converted one million check recipients to direct deposit since its inception. 4. In FY 2007, FMS implemented a pilot program, Direct Express, which is targeted at the un-banked, to disburse benefit payments through debit cards. 5. FMS is developing plans entitled Universal Direct Deposit which will require at some future date, that all newly enrolled beneficiaries receive payments electronically unless they do not have a bank account. | |

| | |
|--|--|
| PART Name: | Government-wide Accounting and Reporting |
| Year PARTed: | FY 2006 |
| Rating: | Moderately Effective |
| OMB Major Findings/Recommendations | |
| <p>1. The program must develop a baseline for its efficiency performance measure. While FMS has unit cost, timeliness, and accuracy measures in its internal and external performance reporting that are used to manage for improved efficiency, at the time of this PART evaluation, a baseline for the new unit cost measure had yet not been established.</p> <p>2. More work needs to be done in order to achieve a clean opinion on the Financial Report of the U.S. Government. Improvement is needed on material weakness in the areas of accounting data compilation/consolidation and reconciliation of intragovernmental reporting differences.</p> | |
| Bureau Actions Planned or Underway | |
| <p>1. FMS has developed a baseline for the efficiency performance measure that measures the unit cost to manage one million dollars of cash flow.</p> <p>2. FMS has two major initiatives which will modernize long standing Federal accounting processes and provide agencies with methodologies and tools to improve the accuracy and consistency of their financial data:</p> <ul style="list-style-type: none"> • The Government-wide Accounting (GWA) Modernization project which will replace existing government-wide accounting functions and processes. This project will improve the reliability, usefulness, and timeliness of the government's financial information, provide agencies and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies, resulting in significant government-wide savings. It will also improve the budgetary information being collected from the agencies at the transaction level. • The Financial Information and Reporting Standardization (FIRST) initiative integrates budget and financial reports from Federal Program Agencies. FIRST will improve the consistency of the budgetary and proprietary accounting data recorded in agency financial statements and reported to FMS through its trial balance. <p>3. FMS is taking the following actions to address unreconciled intra-governmental transactions:</p> <ul style="list-style-type: none"> • Requiring comprehensive intragovernmental accounting data from agencies on a quarterly basis that will allow FMS to provide data to all federal agencies for them to better analyze and reconcile intragovernmental differences. • Working with the CFO Council and OMB to enforce the business rules for intra-governmental transactions and to organize the Dispute Resolution Committee. • Encouraging greater auditor participation by requiring agency auditors to more closely scrutinize intra-governmental out-of-balance conditions with other agencies. • Moving forward on the FIRST initiative which is being 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. | |

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