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Payment Management Excels at Electronic Payment Challenges

By Wanda J. Rogers, Assistant Commissioner, Payment Management & Chief Disbursing Officer



In September, I will have completed my second year of the most challenging position I've held during my 28-year career at the U.S. Treasury's Financial Management Service (FMS). The delivery of payments to millions of federal benefit recipients is a core mission of FMS, the U.S. Treasury, and the U.S. Government.

As the Assistant Commissioner of Payment Management, and Chief Disbursing Officer for the federal government, I am responsible for

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HUD Leads the Pack with a Photo Finish — Signs First SCMA with FMS

By Carolyn Dunston & Gregory Crawford, Agency Relationship Management Division

Being the first to achieve a goal, accomplishment, recognition, or mention is always commendable. On April 8, 2008, a major event occurred for the Financial Management Service (FMS), the first Strategic Cash Management Agreement (SCMA) was signed between the U.S. Department of Housing and Urban Development (HUD) and FMS. Over the past twenty years, HUD's goal has been to be on the forefront (leading the pack of federal agencies) of cash management improvements – realizing the

importance of the Holistic Approach concept of converting inefficient collection mechanisms to Electronic Funds Transfer (EFT). Converting to EFT is of major importance to the agency.

Signing this agreement HUD commits with FMS to implement cash management improvements over the next three to five years and to streamline their entire collection process. After a thorough review of the recommended EFT collection mechanisms and negotiations, each

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Payment Management Excels at Electronic Payment Challenges

By Wanda J. Rogers, Assistant Commissioner, Payment Management & Chief Disbursing Officer

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an organization of nearly 700 employees located in Washington, DC, and at our Regional Financial Centers (RFCs) in Austin, TX, Kansas City, MO, Philadelphia, PA, and San Francisco, CA. I'm responsible for FMS's payments business line that includes the issuance of nearly 1 billion electronic and check payments, and reconciliation and aftermath activities associated with those payments. To make things even more challenging in 2008, Payment Management will be issuing an additional 130 million Economic Stimulus Payments resulting from the Economic Stimulus Bill signed by the President on February 13, 2008. We will be issuing those payments beginning in May, as we conclude the 2007 tax refund season and on top of our normal monthly volumes of benefit payments.

The daily operations of issuing payments and conducting aftermath activities are in the good hands of Payment Management employees. Operationally, we excel at our primary responsibility—issuing nearly 1 billion payments “on time, everytime” with a success rate of 99.999%.

Changing the behavior of those who receive federal payments presents more of a strategic challenge for me as the executive over the payments business line. This is the largest item on my plate and is where I spend most of my energy. I'd like to take you through some of the strategic challenges we face here at FMS and what we are doing to meet those challenges.

What are the challenges?

Each year, FMS issues nearly 150 million checks to those receiving Social Security, Veterans and other federal benefit payments. Check payments are significantly more expensive costing \$0.88 more to

issue than a Direct Deposit. In addition, when there is a problem with a payment, 9 out of 10 times the problem is with the check payment not the Direct Deposit. Checks are susceptible to theft, forgery, and delays or loss in the mail system. In addition, many check recipients receive checks because they have no alternative. Statistics show that 28 percent (2.1 million) of Social Security Administration (SSA) check recipients are unbanked and 59% (1.8 million) of Supplemental Security Income (SSI) check recipients are unbanked.

“Operationally, we excel at our primary responsibility—issuing nearly 1 billion payments “on time, everytime” with a success rate of 99.999%. Changing the behavior of those who receive federal payments presents more of a strategic challenge. . . .”

With changes in demographics, Baby Boomers are beginning this year to enroll in increasingly larger numbers to receive their Social Security payments. While many choose to receive Direct Deposit, many choose to receive checks because of lack of knowledge about Direct Deposit or because they are unbanked.

Why electronic payments?

The value of electronic payments is well-known in the payments industry. However, even more value is derived when applied to federal government payments. The expectation by the American taxpayer is that all federal government payments — and most importantly lifeline benefit payments such as Social Security payments — will be delivered timely and by the safest, most secure, and most reliable method.

Electronic payments are simply “good government.” If all the benefit check payments issued by FMS were converted to Direct Deposit, it would save taxpayers over \$131.5 million each year.

Electronic payments go where checks can't. We don't have to imagine the challenges of delivering paper check payments in a natural disaster situation—we lived it here at FMS. In 2005, Hurricane Katrina provided insight to the problems of delivering hundreds of thousands of check payments to evacuees from New Orleans and the Gulf Coast states. The storm hit just as the monthly benefit checks were staged for delivery by the United States Postal Service (USPS). Sadly, many of the check payments to the impacted areas went undelivered as we scrambled to deliver emergency funds to evacuees through other means.

How are we encouraging electronic payments?

FMS is actively marketing Direct Deposit through a national campaign sponsored by the U.S. Treasury and the Federal Reserve Banks targeted at current federal benefit check recipients. This campaign, known as **Go Direct**[®], has been in place since April 2005 and has resulted in over 1.7 million enrollments. These enrollments are estimated to save the government \$136 million over the next 10 years. Enrollments are taken in a variety of ways—through a dedicated

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HUD Leads the Pack with a Photo Finish — Signs First SCMA

By Carolyn Dunston & Gregory Crawford, Agency Relationship Management Division

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of HUD's program areas agreed to implement Pay.gov, and/or Paper Check Conversion Over the Counter (PCC OTC) and TGA.net. Pay.gov and PCC OTC are the two most highly recommended EFT collection mechanisms to improve collection efficiencies. Implementing TGA.net automates the preparation of the SF215 (deposit ticket) - it is not considered an electronic collection mechanism.

Following closely behind HUD, the U.S. Department of Agriculture (USDA) signed the second SCMA to improve cash



(Front row from left) Kristine Conrath, Director, Revenue Collection Group, FMS and John Cox, CFO, HUD. (Back row from left) Gregory Crawford, Financial Program Specialist, FMS; Carolyn Dunston, Director of Agency Relationship Management Division, FMS; Mary Sally Matiella, CFO of Accounting, HUD; John Rabil, FHA Comptroller, HUD; and Jon Schroeder, Senior Accounting Specialist, OFHEO, HUD. (FMS Photo/Teri Hoehn)

management practices for Forest Service; implementing Pay.gov, PCC OTC and TGA.net. For both federal agencies, the implementation process and procedures will begin by December 31, 2008, totaling more than \$1.9 billion targeted for EFT conversion.

For additional information about FMS's Holistic Approach to electronic collection improvements, federal agencies may contact their assigned Customer Relationship Manager (CRM) identified online at: www.fms.treas.gov/crm.

New OTCD Enhancements to Benefit Key Stakeholders

By Tepricka Morgan, Over the Counter Revenue Collection Division

The Over the Counter Revenue Collection Division (OTCD) announces its move toward a retail business model characterized by streamlined processes dedicated to serving federal agencies. This structure strengthens core competencies related to timely transaction handling and reporting functionality. Benefits of the move include comprehensive agency reports and a single system used to capture all tender types resulting in simplified business practices and eventual cost-savings to the federal government.

Paper Check Conversion Over the Counter (PCC OTC) and Treasury General Account Network Reporting (TGA.net) are managed by OTCD; an extensive strategic initiative is underway to consolidate these two systems to benefit agency customers by offering one system solution. TGA.net is a secure, web-based

system for over-the-counter federal agency deposit reporting and confirmation. Prior to the integration, the system is scheduled for an upgrade in mid-June 2008 designed to create an interface with the new Transaction Reporting System (TRS). This is a significant accomplishment as data retrieval has previously been cumbersome and involved several systems that did not communicate with one another. After the upgrade, agencies can retrieve detailed collections data from one centralized location.

PCC OTC, another program housed within OTCD, has processed more than \$20 billion in collections since its inception by converting paper items to electronic debits through the Automated Clearing House (ACH) or under the authority of Check 21. Currently, over 1,000 agency Point of Sale (POS) locations use this technology to expedite the

deposit and settlement cycle. Integrating collection mechanisms is a crucial component of the highly anticipated OTC Channel—a robust business line capable of handling agency cash, check and credit/debit deposits seamlessly with one application and one hardware device.

OTCD is enthusiastic about these forward-looking plans and their positive impact on federal agencies, citizens and others conducting business with the U.S. Treasury. Ease of use and providing exceptional customer service are two prominent goals of the OTCD as it consistently endeavors to implement technologies and strategies both present-day and in times to come that benefit key stakeholders.

For more information, contact Tepricka Morgan at 202-874-6786.



Administrative Wage Garnishment — What Agencies Need to Know

By *Debt Management Services*

The Department of the Treasury, Financial Management Service (FMS), through its Cross-Servicing Program, can assist agencies in collecting delinquent debt by Administrative Wage Garnishment (AWG). As authorized by the Debt Collection Improvement Act of 1996 (DCIA) (codified at 31 U.S.C. § 3720D), AWG allows federal agencies to garnish up to 15 percent of the disposable pay of debtors who do not work for the federal government. A court order is not required and employers must comply with the AWG order.

Federal agencies that choose to use AWG through FMS's Cross-Servicing program are responsible for updating their agency profiles to indicate that they will permit AWG. Before modifying their profiles, agencies must either adopt Treasury rules regarding hearing procedures, or they may prescribe their own regulations for the conduct of AWG hearings consistent with Treasury rules pursuant to 31 C.F.R. § 285.11(f). If a debtor makes a written request for a hearing concerning the existence, amount of the debt or the terms of the proposed

garnishment amount, the agency is required to hold the hearing and issue a decision within 60 days of the request. Agencies also are required to review any requests for review of the garnishment amount by debtors claiming financial hardship caused by materially changed circumstances.



All federal agencies that have established AWG hearing procedures may use AWG as a collection tool. The private collection agencies (PCAs), under contract to the U.S. Treasury to collect debt, will assist federal agencies by identifying debtors eligible for AWG. The PCA will

establish that the debtor has been employed for at least 12 months and issue a warning letter on behalf of the federal agency before garnishing the debtor's wages. FMS will sign AWG orders on behalf of a federal agency. The PCA will monitor collections under the AWG order to ensure employer compliance. Hearing requests will be forwarded by FMS to the federal agency responsible for holding the hearing.

Collections through the use of AWG have been very successful for the participating federal program agencies. From FY01 through FY08, the AWG program has collected over \$21.4 million dollars. The AWG tool has proven to be a very effective collection tool.

U.S. Treasury's rules governing AWG may be found on FMS's website at: www.fms.treas.gov/debt/avg.html. Questions concerning the AWG Program may be directed to Debbie Davenport at 202-874-6653.

Debt Management Services Upcoming Workshop Dates

Each year, the Financial Management Service (FMS) Debt Management Services (DMS) sponsors workshops for Federal Program Agencies on all aspects of the Debt Collection Improvement Act. Workshops scheduled for May and June 2008 are listed below. For questions, please visit us online at www.fms.treas.gov/debt/training.html or contact Stephanie Anderson or Shirley Williams-Jefferson at (202) 874-8580.

June 24-25, 2008

**Debt Collection 101 (DC101) and Treasury Report on Receivables (TROR) Workshops
Hampton/Norfolk, VA**

July 29-30, 2008

**Debt Collection 101 (DC101) and Treasury Report on Receivables (TROR) Workshops
Kansas City, MO**



HUD Partners with FMS on Successful Wage Garnishment Program

By Lester J. West & Brian Dillon, U.S. Department of Housing and Urban Development (HUD)

The Department of Housing and Urban Development (HUD) and the Department of the Treasury's Financial Management Service (FMS) have jointly collected \$8.7 million of delinquent debt owed to HUD using Administrative Wage Garnishment (AWG).

AWG was authorized by the Debt Collection Improvement Act (DCIA). Regulations (31 CFR § 285.11) to implement AWG were issued by FMS in May 1998.

Unlike standard garnishments, which require a judgment and a court order to implement, AWG action is quick and cost effective because it is accomplished administratively. Under AWG, a federal agency directly orders the garnishment up to 15 percent of the disposable pay of a delinquent debtor's wages after sending a warning notice to the debtor. Due process is provided through administrative hearings rather than through action in federal court.

While the DCIA does not mandate the use of AWG, the General Accountability Office concluded that AWG has the potential to be a powerful tool for collecting delinquent federal debts and recommended agencies use it. While generally viewed as a collection tool of last resort, AWG is well suited to enforce collection from an able, but unwilling wage-earning debtor.

AWG can be used simultaneously with other collection tools, such as the Treasury Offset Program (TOP), to more promptly achieve collection in full. Once an agency has established its administrative

hearing procedures, it can authorize FMS to use AWG for debts that have been referred to FMS for Cross-Servicing, and thus shift most of the AWG processing burden to FMS's private collection agencies.

After the DCIA was enacted, HUD's focus, like most agencies, was on updating its debt collection policies, procedures, and systems to comply with the act's fundamental requirement that all eligible delinquent federal debts

place by having AWG hearings conducted by administrative law judges from HUD's Office of Hearings and Appeals.

Next, HUD issued a detailed, written AWG Implementation Plan. This plan established the policy that HUD would conduct AWG primarily through FMS's Cross-Servicing program. In September 2002, HUD updated its Cross-Servicing Profile documents to authorize FMS to initiate AWG on any eligible debts referred to FMS by HUD. FMS and its private collection agencies enthusiastically added AWG as an available collection tool and AWG collections commenced shortly thereafter.

HUD initiated an "in-house" AWG Pilot Program in November 2005. Under the program, HUD would pursue AWG on

delinquent debtors who had been referred to and returned uncollected from FMS prior to HUD's implementation of AWG. HUD would also use AWG as a final means to evaluate collection potential before terminating collection action and closing out a debt and reporting it to the Internal Revenue Service as uncollected/cancelled. This final review for AWG is particularly important following the Supreme Court's December 2006 decision (BP America Production Co. v. Burton) that affirmed that there is no statute of limitations to commence an AWG action.

HUD views AWG as a cost effective and valuable tool to collect delinquent debts from able debtors who are unwilling to repay their federal debt voluntarily.

more than 180 days delinquent be referred to FMS for collection via TOP and Cross-Servicing. Following a cooperative effort with FMS, HUD referred over 18,000 delinquent debtors to the Treasury Offset Program in December 1997, and referred 11,000 delinquent debtors to FMS for cross-servicing action in April 1998. To date, HUD has referred over 57,000 delinquent debts to FMS for collection, resulting in the recovery of nearly \$200 million.

HUD then turned its debt collection attention to implementing AWG. As a first step, HUD published AWG regulations (24 CFR § 17.170) in July 2002. As HUD's regulations essentially adopted Treasury's regulations by reference, the only significant provision added by HUD was to determine how AWG hearings would be conducted. HUD opted to use the TOP hearings model already in

"HUD views Administrative Wage Garnishment (AWG) as a cost-effective and valuable tool to collect delinquent debts from able debtors who are unwilling to repay their federal debt voluntarily."



The Tele-TRACE Program — Cooperation from the Financial Community is Key

By Lisa Andre, Philadelphia Financial Center

Most likely, your financial institution has received calls from the U.S. Department of Treasury's Financial Management Service (FMS) to research Social Security Direct Deposit payments in order to resolve claims of non-receipt by recipients. FMS's Philadelphia Financial Center (PFC) and Kansas City Financial Center (KFC) receive and process an average of over 6,500 non-receipt claims a month to support the Tele-TRACE program, which traces "lost" Social Security (SSA), Supplemental Security Income (SSI) and Veteran's Administration (VA) payments for beneficiaries. Statistics have revealed that over 60% of payments in which a non-receipt claim has been filed have, in actuality, been posted to the customer's account on payment date, according to the banking information they provided to SSA and/or VA.

Specifically, FMS representatives support the Tele-TRACE program by contacting financial institutions to determine the status of Direct Deposit payments and subsequently informing the beneficiaries of the status. **FMS representatives have all pertinent account information relating to each non-receipt claim, and therefore call financial institutions solely for the purpose of confirming that the payment was appropriately credited to the recipient's account. Consequently, FMS representatives will not request any additional financial/personal data on the recipient.**

FMS representatives will call to confirm the following information:

- Account Number
- Routing Number
- Payment Date
- Payment Amount
- Recipient's Name



In cases where a payment is posted to an incorrect account or the recipient's name is not on the account, FMS representatives will forward a letter to your financial institution requesting that the funds be returned with return code R06 (Returned per ODFI [Originating Depository Financial Institution's] Request), or that you provide the account-owner's information to SSA and/or VA in the event the funds are unavailable for return.

We live in a world where identity theft is prevalent and there are overwhelming concerns about protecting privacy. It is because of these factors that FMS representatives often meet resistance from financial institution representatives, who are looking to protect the best interest of their customers and their own liability. While the U.S. Treasury Department recognizes and respects these concerns, there are various legal and regulatory sources which support the release of information for the purpose of facilitating the Tele-TRACE program:

• 12 USC 3413: Right to Financial Privacy Act of 1978

There is an exemption to the Right to Financial Privacy Act that allows for the disclosure of information about individuals receiving benefit payments from Social Security, Railroad Retirement Board, and Veteran's Administration, if disclosure of this information is necessary to support critical agency functions. Specifically, the Right to Financial Privacy Act of 1978 states that: "Nothing in this title shall apply to the disclosure by the financial institution of the name and address of any customer to the Department of the Treasury, the Social Security Administration, or the Railroad Retirement Board, where the disclosure of such information is necessary to, and such information is used solely for the purpose of, the proper administration of section 1441 of the Internal Revenue Code of 1954, title II of the Social Security Act, or the Railroad Retirement Act of 1974."

• 31 CFR Part 210.3(c): Federal Government Participation in the Automated Clearing House (ACH)

By accepting federal government Automated Clearing House (ACH) payments, your financial institution agrees to the provisions in 31 CFR Part 210 and the procedures in the Green Book. Specifically, 31 CFR Part 210.3(c) states that: "Any person or entity that originates or receives a government entry agrees to be bound by this part and to comply with all instructions and procedures issued by the Service under this part, including the Treasury Financial Manual and the Green Book."

• Green Book, Chapter 3, Non-Receipts

The Green Book Chapter on Non-Receipts describes a financial

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institution's responsibility in the resolution of non-receipt claims alleged by a customer of their financial institution. Specifically, this Chapter states that: "Receiving Depository Financial Institution's (RDFI's) should be aware of the following situations that often result in unnecessary non-receipt claims. The RDFI should make every reasonable attempt to locate a payment prior to redirecting a recipient to the authorizing federal agency. RDFI employees should be educated on the numerous scenarios and various posting techniques utilized to better assist customers who are concerned with the status of a direct deposit."

It additionally details the Tele-TRACE program: "FMS has partnered with several federal agencies to research Direct Deposit non-receipt claims. The KFC and/or PFC will call the RDFI directly to resolve claims of non-receipt. FMS has access to all of the payment information and will process claims via telephone (Tele-TRACE). Once the reason for non-receipt has been determined, FMS will telephone the recipient to inform him/her of the resolution. FMS will mail a letter if unable to reach the recipient by telephone. Keep in mind that RDFI's can be held liable for ACH payments not processed timely or correctly. If the federal government sustains a loss as a result of a financial institution's improper handling of an entry, the financial institution is liable to the federal government for the loss, up to the amount of the entry."

• Green Book, Chapter 4, Returns

The Green Book Chapter on Returns describes a financial institution's responsibility to return government ACH

payments that cannot be posted to an account at their institution. Specifically, this Chapter states that: "Un-postable payments must be returned so that they are received by the Government Disbursing Office (ODFI) no later than the opening of business on the second banking day following the settlement date of the original entry. Under no circumstances should a financial institution hold payments indefinitely in a suspense account, or by any other means, nor should payments otherwise be held if any of the conditions apply on when to return a payment. Holding payments may constitute a breach of the financial institution's warranty for the handling of federal government ACH payments under regulations codified in 31 CFR Part 210."

• ACH Rules, Article One, Section 1.6.1: Records of Entries

Article One of the ACH Rules provides for a six year retention period for ACH payments. Consequently, financial institutions are responsible for providing a printout or reproduction of the information relating to an ACH entry, provided that the individual requesting this information is the customer or a participating

depository financial institution. This requirement applies to Tele-TRACE inquiries because FMS is an originating depository financial institution on behalf of SSA and/or VA in the ACH network.

These various rules, regulations, and procedures support the Tele-TRACE program and provide your financial institution with the regulatory foundation to confirm or verify information about your account holders receiving SSA, SSI, or VA payments. It is also important to recognize that the Tele-TRACE program is designed to assist your account holders in locating their payments, and therefore your cooperation with the Tele-TRACE program and FMS representatives enhances customer service for your account holders.

If you have any questions about the Tele-TRACE Non-Receipt process, please feel free to contact Matthew Helfrich, Manager, Customer Service Branch, PFC, at (215) 516-8022 or at Matthew.Helfrich@fms.treas.gov. Additional information can also be accessed at the FMS website at <http://www.fms.treas.gov/greenbook/nonreceiptRevMay2007.pdf>.





EFTPS Takes Steps to Help FIs and their Business Customers

By *Melanie Rigney, Revenue Collection Group*

The U.S. Department of the Treasury is making it easier for financial institutions (FIs) to facilitate their customers' federal tax payments.

The Electronic Federal Tax Payment System (EFTPS), a free service from the Financial Management Service (FMS) and the Internal Revenue Service (IRS), can be used to pay any federal tax. In FY2007, EFTPS collected more than \$2 trillion, or nearly 79 percent of all federal tax dollars. With over 10 million users enrolled in EFTPS, more than 740 million payments (totaling more than \$17 trillion) have been made since the service launched in 1996.

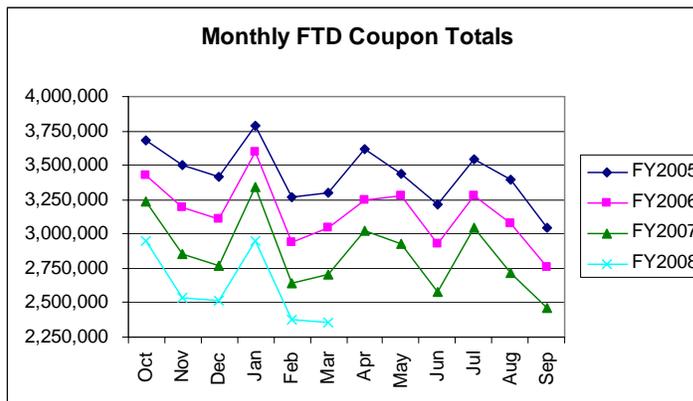
In July 2007, EFTPS began a pilot program with Intuit to provide a free interface between EFTPS and Intuit's Quickbooks product. Users can schedule or cancel a payment and check their payment history. In the pilot's first six months, more than 124,000 payments totaling \$375 million were received.

Building on that success, EFTPS plans to publish the full interface specification this summer, adding enrollment and account maintenance functions. FMS is also in discussions with large FIs about the potential use of the interface with their existing online services for business customers. A partner is being sought for a pilot to begin later this year.

The Interface Protocol Specification entails secured, published XML services that underlay EFTPS's Web-based batch provider software, primarily used today by tax professionals and payroll services to make as many as 5,000 payments for clients in a single session.

"We have a goal of becoming an all-electronic Treasury," said Mark

Stevens, director of FMS's Tax Collection Division, which is responsible for the operation of EFTPS. "The trusted user interface takes us closer to that goal—and offers benefits for FIs and their customers. FIs may see software development and maintenance savings as well as savings in overhead from processing Federal Tax Deposits (FTD). Small businesses will benefit from a trusted interface's direct integration with EFTPS and the convenience of scheduling tax payments as part of their other online banking activities."



A key to becoming an all-electronic Treasury is a significant reduction in the number of (FTD) coupons. The coupons are used by employers to make withholding tax, Social Security, and Medicare deposits on behalf of their employees. Businesses with an annual tax liability of more than \$200,000 must use EFTPS for these deposits; smaller businesses have the option of using EFTPS, mailing deposits to the IRS, or taking their deposits to a teller. FIs are currently prohibited from charging customers for this exception process service and receive no payment from Treasury for doing so.

"The number of FTD coupons processed in FY07 was approximately 34.3 million," Stevens said. "That's down more than 17 percent from two years ago, but we're not satisfied with that and need to move more aggressively to reduce the number of coupons. That's why FMS is reaching

out to financial institutions, just as the IRS reaches out to tax professionals, to explain the benefits of EFTPS and to receive feedback on possible operational changes."

FMS and the Federal Reserve Bank of St. Louis, Treasury's fiscal agent for the system that handles paper coupon deposits, are reaching out to a small number of financial institutions to:

- Get feedback on possibly allowing financial institutions to charge for coupon processing
- Determine how FI operations would be affected by moving up by one day the due date for paper coupon deposits
- Explain to FIs that they may still participate in U.S. Treasury investment programs even if they opt not to accept paper coupon deposits

The results from this limited outreach will be analyzed with a full survey for all FTD coupon processors expected in early summer.

To learn more about EFTPS, please visit www.eftps.gov. For information about free EFTPS marketing materials available from FMS, please visit www.fms.treas.gov/eftps/marketing.html.

Interested in learning more about how your financial institution can reduce FTD coupons, use EFTPS to help your customers, and become involved in Treasury's Term Investment Option program?

FMS will host a free one-hour Webcast for financial institutions on Tuesday, June 3, 2008 from 2-3 p.m. ET. Participants can ask questions in advance or during the Webcast.

Participants may register online at https://www4.premconf.com/websvp/register?conf_id=1124942 or by phone at 800-289-0579, the Toll/International is: 719-457-2550. Use code 1124942.



Green Book Revised for 2008

By Dale Walton, Operations Integrity and Policy Division

The Financial Management Service (FMS) recently updated the Green Book, the comprehensive guide for financial institutions that process federal Automated Clearing House (ACH) transactions. All chapters have been revised, with the exception of Chapter 5, Reclamations. This chapter will be updated pending decisions regarding an automated process for reclaiming ACH recurring benefit payments.

Today, the large majority of federal payments and collections are made via the ACH. With few exceptions, federal ACH transactions continue to be subject to the same rules as private industry ACH payments. As a result, the Green Book continues to get smaller in size and is designed to deal primarily with exceptions or issues unique to federal government operations.

Key changes to the Green Book include:

Chapter 1 - Enrollment. This chapter was revised to more accurately reflect ways a Receiving Depository Financial Institution (RDFI) can assist federal benefit recipients in signing up for Direct Deposit. Specifically, emphasis has been placed on various ways RDFIs can easily sign-up customers thru a *Go Direct* call center or website, or by paper enrollment.

Chapter 3 - Non-Receipt. This chapter was revised to add more coverage of the U.S. Treasury-sponsored program known as Tele-TRACE, through which FMS employees with assistance from RDFIs, research and locate misdirected or erroneous federally-disbursed benefit payments.

Chapter 4 - Returns. This chapter was revised to clarify the role of the RDFI in properly posting federal payments and offers instructions on

processing return items. Scenarios addressed include: 1) proper structure of an ACH return item; 2) reclamation responses; and 3) dishonored returns.

Chapter 7- Collections. This chapter was revised for minor changes to the EFTPS section, including wording to reflect a single support financial agent. The most recent version of Form 5510, Authorization Agreement for Preauthorized Payments, was inserted. Slight modifications were made to the check conversion section, and descriptions of the Electronic Check Presentment (ECP) and Paper Check Conversion Over the Counter (PCC OTC) applications were added.

Chapter 8 - Contacts. Federal agency contact information has been updated with web site addresses included, where appropriate.

The Green Book continues to be available on the Internet at www.fms.treas.gov/greenbook and chapters can be printed as Portable Display Format (PDF) documents. We no longer print and mail hard copies. Therefore, we encourage you to visit the web site for updates.

For further information, contact Dale Walton, at 202-874-7118 or dale.walton@fms.treas.gov

Green Book

Economic Stimulus Update for Financial Institutions

FMS began issuing approximately 130 million Economic Stimulus Payments on behalf of the Internal Revenue service (IRS) on April 28, 2008. Of those payments, 30 to 45 million will be made by Direct Deposit to taxpayers who file a 2007 tax return and provide bank account information. Tax payers who do not provide bank account information on a 2007 tax return will receive payment by paper check.

FMS distributed the first weekly Automated Clearing House (ACH) file for settlement on Monday, April 28, 2008 and will follow with ACH files on May 2, 9 and 16. The majority of stimulus payments will be contained in the weekly Friday ACH files. Smaller daily ACH files of stimulus payments will settle Tuesday to Thursday of each week in the same pattern financial institutions experience during tax refund season. These ACH files will contain a mix of both 2007 tax refunds and Economic Stimulus Payments. The files will be identified as "TAX REFUND" with the FMS Regional Financial Center Symbol number "TREASURY 220" (Austin, TX).

While Direct Deposit is the safest and most secure delivery method, FMS is asking financial institutions to please respond promptly to research requests from FMS on claims of non-receipt (forms 150.2 and 150.1).

Financial Institutions will also note an increase in U.S. Treasury checks being presented for payment as a result of the Economic Stimulus package. FMS will begin issuing paper check on May 16, 2008 and on each Friday through mid-July. Weekly check volumes during May will approach 7 million and increase to 11 million in June and July (with checks coming in smaller volumes through the end of the year). These checks will be identified with the check legend "2008 Economic Stimulus Payment."

General information on the Economic Stimulus Payments is located at www.IRS.gov including a distribution schedule based on the last two digits of the taxpayer's Social Security Number. Questions may also be directed to the IRS at 1-800-829-1040.



DeCommissioning of RRBLink

By Michael Chew, Tax Collection Division & JoDee DeVillier, General Revenue Collection Division

A wise man once said that the longest journey begins with but a single step. For the Internet Channel aspect of the Collections and Cash Management Modernization (CCMM) initiative, that first step was made on March 14, 2008, when the RRBLink System was turned off.

Since October 1993, RRBLink has enabled railroad companies to schedule benefit and tax payments electronically. It was created by a partnership between the Railroad Retirement Board (RRB), U.S. Bank (former Firststar Bank) and the Financial Management Service (FMS). From its inception 14 years ago, RRBLink has collected \$30,077,568,771.41 in tax payments and \$693,412,214.48 in Unemployment Insurance Contributions (UIC) non-tax payments.

In November 2006, FMS met with the Railroad Retirement Board to discuss converting all of their payments from the RRBLink system, developed specifically to accommodate railroad payments, into two systems developed and managed by FMS. The recommendation was to transition all of the tax payments made into RRBLink to the Electronic Federal Tax Payment System (EFTPS) and

all other contributions would be transitioned to the Pay.gov system.

From the initial meeting in November 2006, FMS was successful in working with the Railroad Retirement Board, U.S. Bank, Bank of America, and the Federal Reserve Bank of Cleveland in terminating payments made through RRBLink. On December 31, 2007, the federal tax payment portion of RRBLink was closed and successfully moved to EFTPS.

Approximately 614 RRBLink users (railroad employers) were identified for conversion to EFTPS with 65% (398) converting to EFTPS as of this date. In calendar year 2007, RRBLink processed \$1.6 billion in federal tax payments. With these payments now collected through EFTPS, the January/February 2008 RRB tax payments total approximately \$839.1 million.

On March 14, 2008, the UIC and the DC-1 filing portion of RRBLink was closed to 2007 payments and converted to Pay.gov. With this conversion, FMS anticipates approximately \$70 million will be collected via Pay.gov.

Pay.gov expects the majority of the new collection flow to begin near the end of April 2008 when the new quarter's information has been released, but to date Pay.gov has already processed \$498,023.77 for RRB's UIC and DC-1 filing.

RRBLink is the first system on the FMS systems portfolio to be decommissioned as part of the CCMM initiative. By decommissioning RRBLink, FMS was able to stop the duplication of services and eliminate the cost associated with maintaining two systems that fulfilled the same purpose. This decommissioning is a prime example of how FMS's CCMM initiative is working to streamline and modernize collections and cash management programs.



FMS's CCMM Initiative — What's it all About?

Collections and Cash Management Modernization (CCMM) is a major new initiative of the Financial Management Service (FMS) to streamline and modernize FMS's and Treasury's collections and cash management programs. When implemented, CCMM changes will enable FMS to provide more efficient services to customer agencies and deliver substantial cost savings to the federal government.

Today, FMS processes 400 million transactions and collects over \$3 trillion in revenue each year on behalf of hundreds of federal agency offices and programs. CCMM will redefine the business lines of collections and cash management and also realign the IT infrastructure to match them.

Further goals of CCMM include consolidating transaction and deposit reporting into a single system called the Transaction

Reporting System (TRS). Once completed TRS will become the single touchpoint for all federal agency reporting needs.

The changes implemented under the new CCMM initiative will allow FMS to meet evolving needs of agencies, ensure proper cash management, and maximize the efficiency of the government's financial operations. For more information on CCMM, contact Gregory Till, Director of Modernization Planning at 202-874-6935.



An Open Letter from FMS's Commissioner, Judith R. Tillman



Elliott C. McEntee
President & Chief Executive Officer,
NACHA—The Electronic Payments Association

On behalf of the U.S. Treasury's Financial Management Service, I congratulate you on your retirement from NACHA – The Electronic Payments Association. Since 1988, you have been a valuable partner and a champion of our efforts as we strive to convert nearly a billion payments to Direct Deposit and collect over \$3 trillion in revenue electronically.

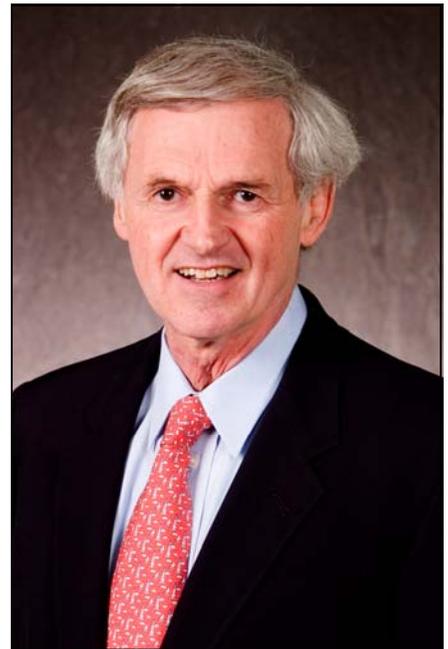
When you began at NACHA in 1988, only 39% of the payments disbursed by FMS were made by Direct Deposit. Today, nearly 80% of our 1 billion payments are made by Direct Deposit saving the U.S. taxpayers millions of dollars and ensuring that millions of federal benefit recipients receive their monthly payments timely, safely and securely. You supported us by working to develop unique Standard Entry Class codes such as Death Notification Entries and Automated Enrollment Entries that use the Automated Clearing House (ACH) network to transmit valuable information between the financial community and the federal government.

You were a valuable ally as we launched the Electronic Federal Tax Payment System (EFTPS) in 1996, partnering with us to convince millions of businesses and corporations to make electronic tax payments. In addition, your leadership in electronic check conversion technology is far-reaching even today as we convert checks to ACH across the U.S. and worldwide; including payments to military personnel presently serving in Iraq and Afghanistan.

Elliott, thank you for your contributions to our mission and for your service to the U.S. Treasury, taxpayers, and millions of federal benefit recipients.

*Judith R. Tillman
Commissioner
Financial Management Service
U.S. Department of the Treasury*

May 2008



Elliott C. McEntee is the President and Chief Executive Officer of NACHA – The Electronic Payments Association. NACHA is a nonprofit banking trade association that promulgates the rules and operating guidelines for electronic payments, including the ACH Network.

NACHA's mission includes the development, promotion and use of electronic solutions to improve the payments system through activities including financial Electronic Data Interchange (EDI), Electronic Benefits Transfer (EBT), cross-border transactions, bill payments, electronic checks and Internet.

The ACH Network reaches more than 20,000 financial institutions, about 5 million businesses and 145 million consumers in the U.S.

Prior to joining NACHA in November 1988, Mr. McEntee was an Associate Director on the staff of the Board of Governors of the Federal Reserve System. He was responsible for managing the function that oversees the nation's payments mechanism and financial services the Federal Reserve provides to banks, thrift institutions and the U.S. Government.



(Continued from page 2)

call center (800-333-1795), through a web site (www.GoDirect.org), and through financial institutions and other partner organizations that assist beneficiaries in the enrollment process. We leverage the success of **Go Direct**[®] to help us get the message out each year just before and during hurricane season. Specially designed hurricane check inserts and back of check envelope messaging are targeted to check recipients living in hurricane prone areas of the U.S. This type of

What do we have in place to facilitate electronic payments?

As I mentioned above, unbanked federal benefit recipients present us with one of our most significant challenges. Delivering an electronic payment to a federal benefit recipient who chooses not to open an account at a financial institution has been a consistent stumbling block for the U.S. Treasury's goal of achieving 100% participation in direct deposit. I expect that our goal will soon

receive cash back with no fee at retail locations. Funds deposited in a **Direct Express**[®] card account are FDIC-insured and protected by federal consumer protection regulations.

The marketing campaign for the **Direct Express**[®] card began in April in select areas in the southwest region of the United States and will be nationwide by the end of 2008. All SSA and SSI check recipients are encouraged to sign up for the **Direct Express**[®] card by calling toll free, 1-877-212-9991, or visiting the web site at www.USDirectExpress.com.



messaging, whether it be for hurricane season or for general direct deposit marketing, has proven to be extremely effective (and cost-effective too!) in reaching the desired market.

The success of the **Go Direct**[®] campaign and the popularity of direct deposit is evidenced by our reaching our 2008 enrollment goal of 408,000 six months early! **Go Direct**[®] positions us to meet the challenge of ensuring that millions of new federal benefit recipients choose direct deposit.

become more attainable as we launch the new **Direct Express**[®] debit card—our solution for the unbanked federal benefit recipient. The **Direct Express**[®] card is available to SSA and SSI benefit recipients and offers them the convenience of receiving payments electronically. Cardholders have 24/7 access to their money at Automated Teller Machines (ATMs) and are able to make purchases at any retailer that accepts Debit MasterCard. Cardholders can access their account information by telephone and internet, make purchases over the internet, and

Increasing electronic payments through the **Go Direct**[®] campaign, creating value-added solutions like the **Direct Express**[®] card for the unbanked population, being responsive in the event of natural disaster situations, providing timely Economic Stimulus Payments — all while providing monthly benefit payments to millions of Americans — this is the mission of FMS's Payment Management organization. We look forward to the challenges and opportunities ahead in 2008 and remain steadfast in our commitment to manage and operate our payment functions that serve the American taxpayer.

Upcoming FMS Events

Debt Management Services (DMS) Annual Conference
May 21, 2008 • Crystal Gateway Marriott Hotel • Arlington, VA
For information or to register visit:
www.fms.treas.gov/debt/training_DMS2008AnnualConf.html

Austin Financial Center Agency Forum
July 16-17, 2008 • Federal Reserve Bank of Dallas, TX
For information or to register visit:
www.fms.treas.gov/afc/dallas_registration_form_2008.html#register

18th Annual Government Financial Management Conference
August 5-7, 2008 • Washington, D.C.
www.fms.treas.gov/tas/conference/annconf.html#speakers