

## **CHAPTER 8. MODERNIZING PAYMENT PROCESSING AND BUSINESS METHODS**

**GOAL:** Modernize payment processing and business practices by leveraging successful government and private sector technology innovations and process re-engineering opportunities.

Rapid technological changes and process re-engineering have contributed greatly to the continuous modernization of payment processing and business methods/practices. Such efforts, while beneficial on their own, have been particularly useful during the downsizing of the Federal workforce. Moreover, it is the Department's goal to provide competitive and cost-effective services to its customers. The Department has established multiple initiatives that seek to eliminate outmoded approaches, maintain only essential elements and services, and use state-of-the-art technology to yield maximum benefits to the American taxpayer.

The essential elements of the program to modernize business methods and payment processes are:

- Streamlining financial and administrative processes.
- Using technology to improve the efficiency of payment processes.
- Re-writing departmental policy and guidance to empower employees and eliminate unnecessary controls.
- Identifying high payoff areas for streamlining processes and upgrading technology.
- Providing assistance to bureaus in developing requirements.
- Measuring performance.
- Working with central agencies to develop long term strategies for process and systems modernization.

### **Improving Cash Receipts Processing**

Due to the Department's substantial revenue-producing activities, efforts have focused on improving collections and processing/depositing of cash receipts rapidly. A key emphasis of the Department's cash management program has been to accelerate cash receipts by requiring payments via wire or electronic transfer. In addition to using electronic transfers, the Department has worked cooperatively with Treasury to establish several lockbox systems and plastic card collection networks to collect timber fees, abandoned mine land fees, water sales, park entrance

fees, construction cost repayments, and State and local government reimbursements.

## **PLANNED ACTIONS**

### ***Ongoing Activities***

- Continue to use the Plastic Card Collection Network (PCCN) and Automated Clearinghouse for collecting funds due the Department.

## **Improving Payment Processes**

In performing its basic missions, the Department of the Interior annually processes over two million (non-payroll related) payments, which account for expenditures in excess of \$3.5 billion each year to organizations that provide products and services to the Department. Collectively, these payments cover a broad range of payment categories (i.e., payments to vendors, payments to other Federal agencies, reimbursements, grants, contracts, purchase orders), and involve an equally broad and growing array of available alternative payment mechanisms which include Treasury checks, third party drafts, electronic funds transfers, and charge cards.

In recent years, payment processes have been positively impacted by technological advances. The Department has been an active participant in the governmentwide Electronic Commerce pilot program, and has developed capabilities that will allow the Department to fully capitalize on this promising technology once governmentwide standards are in place.

The Department has embraced the use of plastic card technology as an enabling agent to improve service to customers while improving the overall efficiency of the payments process. The growth in the dollar volume of payments made through the charge card program has averaged in excess of 40 percent annually in recent years, to an annualized level of approximately \$400 million in 1999. The growth trend in the use of charge cards is expected to continue during the next five years. In addition to the obvious reduction in finance office workload associated with the reduction in the number of payments that must be made, the increased use of charge cards has also all but eliminated the need to issue travel advances to employees; reduced the number and amount of payment (interest) penalties associated with the Prompt Payment Act; substantially improved the Department's EFT performance in complying with the Debt Collection Improvement Act of 1996; and has provided additional benefits through volume-based refunds which accrue to the Department.

*SmartPay Program:* Under the terms of a governmentwide contract administered by the General Services Administration, the Department issued a task order to the Bank of America (BOA) to provide a single integrated card covering the fleet, purchase, and travel business lines. To our knowledge, the Department is unique among Federal agencies in issuing a single card for all business lines. Fiscal 1999 represented the first year of operation under the SmartPay Program, and the

transition to the integrated card presented both the Department and BOA with a number of challenges. The principal challenges faced during 1999 included: processing difficulties associated with the launch of the new charge card platform; the inability to utilize the bank's electronic support system (EAGLS); delays in implementing electronic billing and interface files; and the substantial learning curve in implementing an integrated card program for the first time. Many of these initial challenges have been overcome, and the Department looks forward to implementing additional refinements and several advanced features of the program during FY 2000. Principal among these are: the increased use and reliance on electronic reporting as a management tool for monitoring charge card program performance; expanded use of the cost allocation features within EAGLS; and increased utilization of the online inquiry capabilities.

### ***FY 1999 Accomplishments***

- Implemented the SmartPay Program to include daily payment of charge card invoices and an electronic interface to bureau core accounting systems.
- Updated bureau plans to comply with electronic funds transfer (EFT) and taxpayer identification number requirements of the Debt Collection Improvement Act of 1996 (DCIA).
- Continued use of a departmental electronic funds transfer tracking system to measure progress in increasing the number of payments made electronically as required by the DCIA. This information was reported monthly to Interior's Management Council. As of June 30, 1999, 54.5 percent of vendor payments were made via EFT. This is an increase from the 34.8 percent reported in September 1998.
- Transitioned to the new integrated SmartPay contract with Bank of America.

### ***PLANNED ACTIONS***

#### ***Ongoing Actions***

- After the integrated charge card program is fully implemented, it is anticipated that additional opportunities for further streamlining and re-engineering administrative functions will be provided. Possible areas include:
  - Opportunities to further streamline payment functions through additional outsourcing.
  - Increase use of electronic malls for purchasing.
  - Further streamlining of the travel process through direct payments.

### ***FY 2000 Planned Activities***

- Participate in one or more pilot travel system efforts authorized by the Travel and Transportation Reform Act of 1998.
- Eliminate imprest funds to the maximum extent possible and phase-out the use of FedSelect checks.
- Continue efforts to implement the electronic payment requirements of the Debt Collection Improvement Act of 1996.
- Participate in the governmentwide effort to standardize and use one of the two electronic grant payment systems.
- Assess pilot program results for the central payment of lodging costs through the SmartPay program, and expand on a departmentwide basis if desirable.

### **Improving Prompt Payment Performance**

Acknowledging the need to improve the Department's prompt payment performance, Interior created a departmentwide team to determine the causes of late payments. After analyzing the payment process, four areas were identified as critical to achieving significant improvement. The areas identified were reviewed and discussed on a departmentwide basis with the sharing of best practices. The areas identified were as follows:

- Reporting and quality control tracking.
- Updating guidelines and providing additional staff training.
- Identifying large dollar volume vendors; recurring payments, and/or utilizing fast pay.
- Improving processing (including front-end procurement processing, communication between Procurement and Finance), and field offices (for remote data entry).

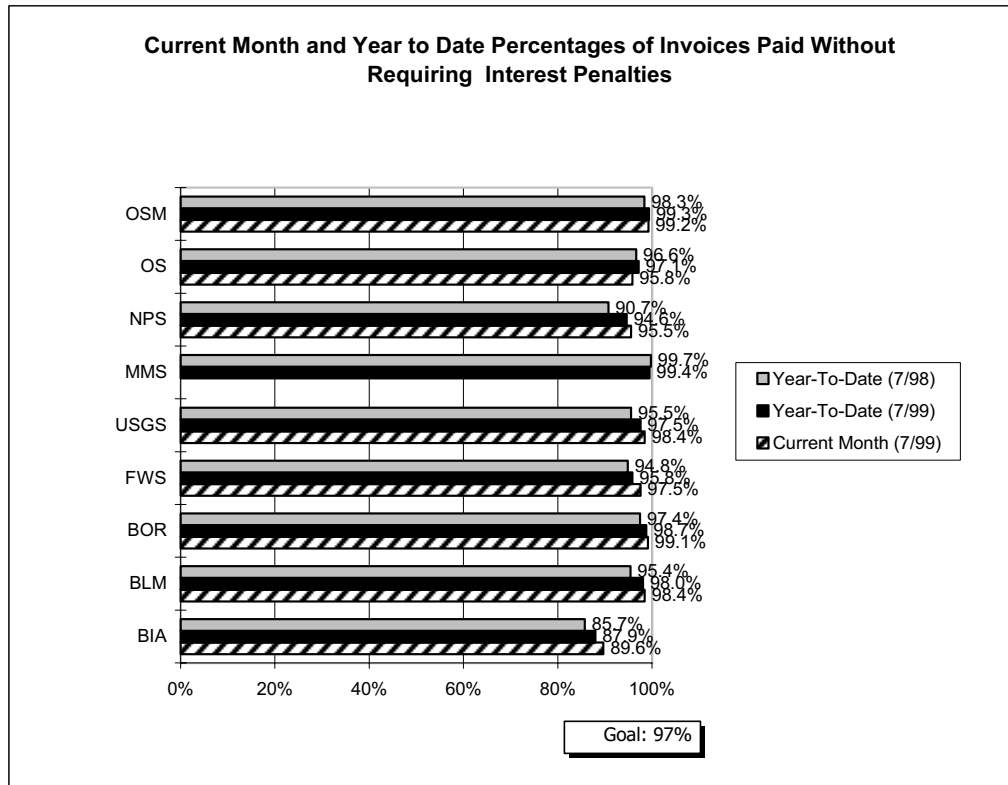
Moreover, each bureau submitted a plan that (1) identified the problems impacting prompt payment performance; (2) listed corrective actions; and (3) provided a time table for reaching the Department's goal. To measure progress, bureaus are required to submit monthly progress reports to the Office of Financial Management.

### ***FY 1999 Accomplishments***

- As of July 31, 1999, the Department had achieved an overall 95.2 percent rate of invoice payments that do not require late penalties (see *Exhibit 8-1*).
- The Bureau of Indian Affairs is accelerating its implementation of remote data entry of payment data (from field offices). Remote data entry has shown

Exhibit 8-1

**Department of the Interior  
Prompt Pay Report  
For the Period October 1, 1998 through July 31, 1999**



	Invoices Paid	Invoices Paid w/o Penalty	Percent of Invoices Paid w/o Penalty	
BIA	53,323	46,874	87.9%	
BLM	37,274	36,533	98.0%	Goal Achieved
BOR	24,271	23,960	98.7%	Goal Achieved
FWS	55,720	53,378	95.8%	
USGS	54,607	53,239	97.5%	Goal Achieved
MMS	12,912	12,834	99.4%	Goal Achieved
NPS	92,690	87,676	94.6%	
OS	9,217	8,952	97.1%	Goal Achieved
OSM	9,348	9,281	99.3%	Goal Achieved
<b>TOTAL</b>	<b>349,362</b>	<b>332,727</b>	<b>95.2%</b>	

tremendous progress on payments in the areas already implemented. BIA has the highest rate of late penalties and represents a significant share of the Department's total payment volume. Once remote data entry is fully implemented, overall interest penalties are expected to decrease. It is anticipated that remote data entry and other improvements in the payment processes will enable the Department to reach or exceed its goal.

## ***PLANNED ACTIONS***

### ***Ongoing Activities***

- Monthly prompt payment reports will be prepared by bureaus to monitor performance. If results are unsatisfactory, the Department will take corrective actions.
- Monthly progress reporting of interest penalties for bureaus that do not achieve a rate of three percent or less for payments requiring interest penalties.
- Reduce the number of interest penalties by increasing the use of purchase cards and paying more invoices under "Fast Payment" procedures.

### ***FY 2000 Planned Activities***

- Continue to closely monitor bureau performance until the goal of paying 97 percent of all payments without incurring late penalties is achieved. As of July 31, 1999, three bureaus had not reached the departmentwide goal.

## **Maximizing Opportunities for Utilizing Electronic Commerce and Other EDI Applications**

An October 1993 memorandum from the President to the heads of executive departments and agencies established the objective to streamline procurement through the use of Electronic Commerce (EC). Interior has aggressively pursued the President's mandate. With the completion of the implementation of IDEAS in all major buying offices in FY 1999, Interior intends to increase its volume of EC procurement transactions. Electronic commerce will include a full range of procurement, financial, and other transactions such as Requests-for-Quotations, vendor responses, purchase and delivery order awards, notifications, purchase card transactions, data submissions, and payments.

From FY 1993 through FY 1998, the number of purchase cards increased from 4,535 to almost 21,000. The number of purchase card transactions increased from 96,060 to over 893,000, and the purchase card dollar volume increased from \$17 million to over \$277 million. At the end of FY 1998, Interior remained second among civilian agencies in the number of charge card actions and improved to second among the civilian agencies in the amount of dollar value of charge card dollars awarded. Interior expects to maintain its position in these categories for FY 1999.

In FY 1997, 72.6 percent of all small purchase actions under \$25,000 and 35.7 percent of the dollar value of all such actions were made with the purchase card. In FY 1998, those percentages increased to 76.9 percent and 40.5 percent respectively. The Department's target was to increase purchase card use to 75 percent of small purchase actions for FY 1998. Interior has a long-term goal of 90 percent of all purchases below \$2,500 to be made via purchase cards. The Department expects to improve its percentages and move closer toward its long-term goal by the end of FY 1999.

## **PLANNED ACTIONS**

### ***FY 2000 Planned Activities***

- Continue with an integrated card solution for the purchase, travel, and fleet business lines under GSA's new "SmartPay" program.
- Continue with outsourcing the responsibility for charge card transaction processing to Bank of America.
- Provide web-based access for transaction information to our 55,000 purchase, travel, and fleet card holders.
- Continue consolidating the account setup and maintenance functions for the travel, purchase and fleet business lines.
- Continue automating the reconciliation process for centrally-billed accounts.
- Continue implementing an automated interface for all charge card transactions to the Department's accounting systems.
- Develop the necessary electronic exception reports to preserve the financial integrity of programs.
- Maintain a "daily pay" capability.
- Work to increase usage of web-based electronic commerce by all remaining major purchasing offices.
- Continue efforts to implement the electronic payment requirements of the Debt Collection Improvement Act of 1996.
- Continue to participate in the governmentwide effort to standardize Federal grant payment systems. By 10/1/2000, bureaus will offer grantees choice of grant payment either via agency proprietary system or by one of two grant payment systems designated for agency use—Treasury's Automated Standard Application for Payments System or the Department of Health and Human Services' Payment Management System.

### ***FY 2001 and Beyond Planned Activities***

- Assess the additional capabilities of the new charge card contract and determine which features to implement, including smart card features.

## **Shared Service Organizations**

The Department provides commonly required administrative products and services to Interior and non-Interior clients through shared service operations. The National Business Center (NBC) and the Minerals Management Service (MMS) provide critical shared services to various Interior bureaus. In addition, the Interior Franchise Fund (IFF) provides selected services to non-Interior customers. The IFF uses both the NBC and MMS as service providers.

### ***National Business Center***

The National Business Center (NBC) is the result of merging three administrative service centers in three different bureaus into one service provider located within the Office of the Secretary. The NBC provides services related to such automated systems as the Federal Personnel Payroll System (FPPS); Federal Financial System (FFS); Fixed Assets and Inventory Subsystems; Interior Department Electronic Acquisition System (IDEAS); Federal Procurement Data System (FPDS); electronic commerce, electronic time and attendance system (QuikTime); mainframe time sharing; and Internet publishing. The NBC also provides accounting services, including operational reviews, requirement analysis Treasury reporting, training, and quality assurance; transportation and travel services; property management services; mail management services; printing and graphics services; information resources management systems and services; document management services; telecommunications; quarters management; facilities management services, including space planning, leasing and alteration services and building maintenance; acquisition services; training and development services through four learning centers managed by the DOI University; and specialized employee services such as security clearances, medical services, drug testing and Office of Workers' Compensation Programs (OWCP) case management. The NBC operates on a full cost-recovery business basis.

### **FY 1999 Accomplishments**

- The Department completed the merger of its three administrative service centers, forming the Interior National Business Center (NBC) with offices in Denver, Colorado; Reston, Virginia; and Washington, D.C. This merger of expertise and resources is aimed at achieving greater departmentwide standardization and uniformity in providing administrative support services, improving operations and customers' services, reducing administrative costs, and fostering the opportunity for expanding the customer base.
- The NBC completed its conversion of all Interior bureaus to the Federal Personnel Payroll System (FPPS). The conversion was completed by January 1, 1999. The total number of personnel payroll actions being processed by the NBC on the FPPS is nearly 180,000. This number includes such non-Interior clients as the Social Security Administration, the Department of Education, the Federal Labor Relations Authority, the Federal Trade Commission, International Trade Commission, the Pension Benefit Guaranty Corporation, and the U.S. Trade and Development Agency.



- The NBC began providing accounting service to three new non-Interior clients during FY 1999. Specifically, the NBC began accounting cross-servicing functions for the International Trade Administration, the Corporation for National Service, and the Commodities Futures Trading Commission. In the instance of the International Trade Administration, the NBC actually became their full-service finance office.

## **PLANNED ACTIONS**

### **FY 2000 Planned Activities**

- The NBC intends to modernize the FPPS by adding a commercial relational database to improve queries and reports, building a "Windows-like" graphical user interface (GUI), utilizing a commercial-off-the-shelf (COTS) software to expand its functionality, and expanding employee self-service capabilities.
- The NBC plans to implement end-to-end electronic processing of procurements, vendor-based financial inquiries, and vendor submissions of electronic invoices, all under NBC's electronic commerce product, "EC21," or "Electronic Commerce for the 21st Century." The procurement side of EC21 is already being rolled out to all offices. The vendor inquiry system will be put in place beginning after FY 1999 close-out. The electronic invoice should be implemented in the second or third quarter of FY 2000.
- The NBC is also looking to improve the Department's credit card system. Specifically, the NBC will improve the quality and reliability of bankcard data provided to the bureaus and will reduce the amount of reconciliation and research required by the bureaus. The NBC plans to provide a centralized receiving point for bankcard invoices; provide data cleanup and reconciliation services centrally before releasing bankcard invoices to the bureaus; provide a central point of contact for all bankcard issues and for communication with the bankcard vendor; provide for centralized matching of fleet charges and related tax credits; and provide for centralized matching of convenience check fees to individual charges. The NBC also plans to improve the bankcard interface by modifying the interface to provide full compatibility with the latest cost allocation process.

### ***Interior Franchise Fund***

In 1996 the Department was authorized by OMB to establish, pursuant to the Government Management Reform Act (GMRA) of 1994, one of six franchise fund pilot programs within the Federal government. The objective of the franchise fund pilot program is to ultimately reduce the cost of government to the taxpayer through providing commonly required administrative products and services to other Federal agencies on a competitive, fee-for-service basis. The Interior Franchise Fund (IFF) carries out this responsibility by relying upon a network of service provider organizations. The current service provider organizations (Office of the Secretary's National Business Center and the Minerals Management Service) strive to operate in an entrepreneurial manner, consistent with OMB's "Twelve Business Principles" and can rapidly cross-service other agencies via interagency agreements. With the service providers' support, the IFF offers a suite of competitively

priced administrative systems and related support services, administrative operations, and general administrative services that are responsive to customers' needs and budgetary constraints. With almost two full years of experience, the IFF has made impressive progress towards meeting the objectives of the franchise pilot program. The Department continues to work closely with OMB, the government-wide Chief Financial Officers' Council, and the Department's congressional committees to ensure the development of a high quality pilot program for franchise services.

The IFF provides support to customers in the following areas:

- Administrative Systems and Systems Support (Financial Management Systems Software and Support; Procurement Systems Software and Support; Property Management Systems Software and Support; Time and Attendance System Software and Support)
- Administrative Operations (Procurement Operations; Accounting Operations; Personnel Operations)
- General Purpose Computing (Computer Timesharing)
- Independent Verification and Validation
- Electronic Commerce
- Training
- Drug and Alcohol Testing
- Audio Visual Center
- Cooperative Administrative Support Unit (Copier Placement Program; Temporary Help (professional, technical, medical, clerical); Labor Moving; Mail Delivery; Recycling; Interagency Property Center (Warehouse Interagency Transfer); Wellness Facility (Gym); Interpreters (Sign and Linguistic); Employee Assistance Program (EAP); Barcoding and Metering of Mail; Document Imaging; Equipment Rental; Laser Cartridge Recycling; Court Reporters; Computer Maintenance and Repair; Computer Training)

#### **FY 1999 Accomplishments**

- The number of customers has increased from approximately 90 in FY 1998 to 215, an increase of approximately 240 percent. No instances of dissatisfied customers leaving the IFF for another service provider have been recorded.
- Revenues have increased from \$21.8 million in FY 1998 to \$28 million for the first ten months of FY 1999. If revenue projections of \$50 million for FY 1999 materialize, that will represent an increase of 229 percent.

- Significant progress was made in liquidating the cumulative operating losses and turning the IFF into a profitable operation.

## **PLANNED ACTIONS**

### **FY 2000 and Beyond Planned Activities**

- Institutionalize a formal business planning process for each of the IFF business lines which includes marketing strategies, pricing analyses, performance measures, and retained earnings analyses.
- Continue to evaluate customer satisfaction and the quality of products and customer services by asking existing customers what the IFF can do better and how, with lessons learned being incorporated into future tactical plans.
- Continue to explore new products and services and "R & D" activities aimed at leveraging cutting-edge technologies to take maximum advantage of future opportunities.
- Continue the effort to provide "one-stop" shopping for most commonly required administrative services.

### ***Minerals Management Service (MMS) Services***

The Minerals Management Services operates as a service provider to the Interior Franchise Fund in three major categories. In the area of procurement support services, MMS provides a complete range of procurement services from inception to closeout (i.e., request for proposals through closeout of contracts). With regard to the human resources arena, MMS performs as a "full service" third party personnel office with management support services that include classification, recruitment, appraisal and awards management, employee/labor management relations, and employee development. MMS also maintains, configures, and operates an Information Technology Training Facility which may be used by other agencies on a fee-for-service basis. Beginning in FY 1998, MMS became the lead agency for the Denver Cooperative Administrative Support Unit (CASU).

## Improving Electronic Communication

The Office of Financial Management (PFM) has embraced the Internet as an efficient and cost-effective means to electronically publish and disseminate critical financial management information to customers. In March, 1996, PFM created a home page on the Internet (<http://www.doi.gov/pfm>). The development of the web site (see *Exhibit 8-2*) and use of Internet-based tools demonstrates PFM's commitment to use information technology to streamline financial services. Currently, the Office of Financial Management web site comprises approximately 3,000 files and includes the following information:

- Office of Financial Management Organization and Staff Directory
- Financial Administration and Financial Statement Guidance Memoranda
- Departmental Reports
- Bureau Reports
- Departmental Financial Statements
- Management Accountability and Control
- Travel Information
- Financial Management Training Courses and Events
- Other Resources
- Links to Other Financial Management Web Sites

*Exhibit 8-2*



### ***FY 1999 Accomplishments***

- Created a web site that electronically registered approximately 250 people for the 1999 Financial Managers Conference.
- Created an intranet for Office of Financial Management staff.
- Published the Department's 1998 Annual Accountability Report in PDF (Portable Document Format) and HTML (Hypertext Markup Language) formats.
- Published the Department's 1998 Financial Management Status Report and Strategic Plan in PDF and HTML formats.
- Published speaker presentations and highlights from the 1999 Program and Financial Management Conference.
- Published other financial management documents as required (e.g., training, travel, policy documents, management accountability and control, financial statements, relocation).

### ***PLANNED ACTIONS***

#### ***FY 2000 Planned Activities***

- Publish the Department's 1999 Accountability Report.
- Publish the Department's 1999 Financial Management Status Report and Strategic Plan.
- Publish other key financial documents to the Office of Financial Management web site and intranet.
- Work closely with FinanceNet to improve the delivery of government services by reducing sales and information distribution costs. As a member of FinanceNet's Technical Working Group, PFM works in partnership with other Federal financial management offices to facilitate access to government information.
- Expand the use of electronic technology to reduce/eliminate paper driven inputs/outputs.