

**Strategic Cash Management Agreement  
Between the  
Department of Education and the Financial Management Service**

**PURPOSE**

The Department of Education/Office of the Chief Financial Officer-Financial Management Operations (OCFO-FMO) and the Financial Management Service (FMS) enter into this agreement to improve the agency's overall cash management practices. This agreement commits both organizations to implement improvements over the next five years. These improvements will enhance the processing of financial transactions between Education/OCFO-FMO and its customers, while at the same time expediting the flow of funds into the Treasury's General Account (TGA).

**GOALS**

FMS's overarching goal is to establish a framework for moving to an all electronic Treasury; including, making full use of web and electronic technologies; streamlining the collection process; offering collection mechanisms that are easy to use, convenient, and secure; managing the depository services provided to Federal agencies by financial institutions/agents; and providing timely collection of Federal government receipts. Education/OCFO-FMO and FMS will work together to accomplish the following goals in 3-5 years.

|   | <u>Baseline</u> | <u>Goal</u> |
|---|-----------------|-------------|
| 1. Electronic Funds Transfer (EFT) \$ Percentage  | 74%             | 90%         |
| 2. All collections will be deposited in a designated Treasury depository, unless Education/OCFO has statutory authority to hold those funds outside Treasury. |                 |             |

**IMPLEMENTATION STRATEGY**

*Administrative Collections – ALC 91020001.* These collections include billed and unbilled receipts from education employees, the public, and students for various types of payments ranging from audit findings, program reviews, impact aid, promissory notes, jury duty, miscellaneous cash receipts, royalty fees, salary overpayments, special education, restitution, etc. Remitters make payments daily.

1. Paper checks annual dollar volume represents \$45.8 million; TGA deposits made to PNC Bank represent \$40.9 million. This cash flow was converted to Paper Check Conversion Over the Counter (PCC OTC) in July 2007. EFT conversion metric : 90% of transaction volume by December 31, 2009.
2. Lockbox collections are processed by U.S. Bank. Annual dollar volume represents \$61.6 million. This collection activity will be converted to Pay.gov. The Pay.gov implementation process and procedures will begin by December 31, 2009. EFT conversion metric : 90% of applicable transaction volume by December 31, 2010.
3. Fedwire activity is processed by FRB New York. Annual dollar volume represents \$35.2 million. This collection activity will be converted to Pay.gov. The Pay.gov implementation process and procedures will begin by December 31, 2010. EFT conversion metric : 90% of applicable transaction volume by December 31, 2011.

4. Pay.gov activity is processed by FRB Cleveland. Annual dollar volume represents \$246.2 million. This collection activity is already electronic; no EFT conversion is required.
5. FRB Special deposits are processed by FRB Richmond. Annual dollar volume represents \$64,000. This collection activity will be converted to Paper Check Conversion Over the Counter (PCC OTC). Secondly, TGA.net will be implemented to support the processing of residual or exception checks that cannot be processed by PCC OTC. The PCC OTC and TGA.net implementation process and procedures will begin by December 31, 2009. EFT conversion metric : 90% of applicable transaction volume by December 31, 2010.

**ALC 91020001 - Total collections for EFT conversion: \$142.6 million**

**INEFFICIENCY CHARGE**


If goals outlined in this agreement are not met by the specified date(s), effective January 1, 2010, FMS will invoke the noncompliance charge to agencies that fail to meet established EFT implementation targets. FMS will require the agency, pursuant to 31 USC 3720, to pay a charge of \$1.00 per item for any collection that is not converted to EFT by the specified timeframe. In the future (at the discretion of FMS), this per item cost could possibly be reduced but will not exceed \$1.00.

**KEY ASSUMPTIONS**

1. FMS will provide these collection services at a lower cost than the current processes used by Education/OCFO-FMO.
2. Education/OCFO-FMO has an opportunity to take advantage of efficient and effective EFT mechanisms which streamline the collection processes overall for the Federal government.
3. FMS and Education/OCFO-FMO share common goals to eliminate paper.
4. By adopting the Holistic Approach, Education/OCFO-FMO is able to eliminate paper, delays in processing collections and ultimately increase EFT performance measures for the entire Department.
5. FMS will decommission a lockbox when the volume drops below 500 items per month.
6. FMS realizes that all check and cash deposits cannot be converted to PCC OTC. Consequently, the EFT conversion metric is reduced from 100% to 90%.
7. FMS will provide marketing support to Education/OCFO-FMO to encourage its remitters to make use of EFT payment alternatives.

**SIGNATURE AUTHORITIES**

FMS and Education by their duly authorized officials hereby agree to execute this Strategic Cash Management Agreement as of the date as signed below.

  
 \_\_\_\_\_  
 Larry A. Warder  
 Chief Financial Officer  
 U.S. Department of Education

6-19-08  
 \_\_\_\_\_  
 Date

  
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 Kristine S. Conrath  
 Director, Revenue Collection Group  
 U.S Department of the Treasury/FMS

6/19/2008  
 \_\_\_\_\_  
 Date