May 2006

Philadelphia Financial Center

Financial Management Service

PFC Journal

Go Direct

Go Direct is a national campaign sponsored by the U.S. Department of the Treasury and the Federal Reserve Bank to encourage people who receive Social Security and other federal benefit payments by check to switch to direct deposit. Go Direct reaches out to people through organizations they know and trust to inform them about the advantages of direct deposit. Additionally, the campaign utilizes media, advertising, and websites in English and Spanish to inform recipients about direct deposit.

Direct deposit is the best way to receive Social Security (SSA), Supplemental Security Income (SSI) and other federal benefit payments. Direct deposit eliminates the risk of lost or stolen checks, reduces fraud and helps protect against identity theft. It also gives people more control over their accounts because direct deposit provides people with immediate access to their money from virtually everywhere, for example, through the use of an ATM and/or debit card. Additionally, direct deposit is more affordable than check payments. If every current federal benefit check recipient switched to direct deposit, it would save taxpayers approximately $120 million a year. Almost all the money saved as a result of direct deposit remains in the Social Security Trust Fund – a benefit to all Americans for years to come.

The Philadelphia Financial Center (PFC) has participated in several events to promote the Go Direct initiative. PFC staff participated at the Massachusetts Bankers Association meeting on January 26-27, 2006 to inform Financial Institutions about Go Direct and to encourage them to become partners. PFC Staff, in association with the Delaware State Treasurer's Office, participated in the launch of "National Direct Deposit Month" by presenting the benefits of direct deposit to a group of senior citizens at the Cheer Community Center in Georgetown, DE on February 2nd. PFC's Regional Director recently did a television interview with the local NBC news station to promote Go Direct as part of a consumer alert series.

Organizations such as banks, credit unions, national organizations, local and regional organizations, and community groups are encouraged to sign-up as partners for the Go Direct campaign. Go Direct relies on partners to communicate the benefits of direct deposit to recipients through face-to-face meetings and various media opportunities. A variety of organizations will benefit from participating in the Go Direct campaign. Their efforts will improve the lives of federal benefit recipients and also result in taxpayer savings. There is no cost to sign on as a partner of Go Direct. If you would like to become a partner, please call (952) 346-6055 for more information or visit the website at www.GoDirect.org.

The Go Direct campaign makes it easy for people to sign up for direct deposit – they can call the toll-free helpline at (800) 333-1795 or sign up online at www.GoDirect.org (English) and www.DirectoASuCuenta.org (Spanish). Questions regarding this matter can be directed to Matthew Helfrich, Manager, Customer Assistance Staff at (215) 516-8022 (matthew.helfrich@fms.treas.gov).

Inside this issue:

Increasing EFT for Vendor Payments

Electronic Funds Transfer (EFT) provides for electronic payments and collections. EFT is safe, secure, efficient, and less expensive than paper check payments and collections. While it costs the U.S. government 83¢ to issue each check payment, it costs only 8¢ to issue an EFT payment. As a result of these potential cost savings and other benefits, the Philadelphia Financial Center (PFC) will be working closely with its agency customers to increase their use of EFT for vendor payments.

On April 26, 1996, the President signed into law the Debt Collection Improvement Act (DCIA) of 1996**.** The DCIA requires the use of EFT for most Federal payments, with the exception of tax refunds. The Financial Management Service (FMS) issued a final rule (31 CFR 208) in 1998 that implemented the EFT provisions of the DCIA.

31 CFR 208 established the circumstances under which waivers to the DCIA are available and also detailed the responsibilities of Federal agencies and recipients under the regulation. It is important to note that under 31 CFR 208, there are no waivers available to vendors. As a result, any Federal government vendor is required to receive payment by EFT.

Despite the EFT requirements of 31 CFR 208, there remain a large number of vendor payments that continue to be made by check. In certain circumstances, vendors are simply resistant to receiving EFT payments. However, agencies have the regulatory means available to ensure that vendors accept EFT payments. The Federal Acquisition Regulation (FAR); EFT rule (48 CFR Parts 13, 16, 32, and 52) includes contract clauses that agencies can use to require agencies to provide EFT payment information as a condition of awarding a contract.

Another impediment to vendor EFT payments is the availability of payment-related data. Vendors require payment-related information to reconcile payments to outstanding invoices. Some vendors expressed reservations with EFT payments, citing that their financial institution is either incapable of providing them with the remittance information or they feel their financial institution charges too high a fee to provide the information. However, the National Automated Clearing House Association (NACHA) passed a rule that all financial institutions receiving corporate EFT transactions are required to pass addenda information to their corporate customers upon request.

The EFT system provides two different payment formats that agencies can use to pass payment-related data to vendors - Cash Concentration or Disbursement (CCD+) and Corporate Trade Exchange (CTX). The CCD+ format includes an addendum record where agencies can include information that vendors can use to reconcile a specific payment to an outstanding invoice. CTX is a corporate ACH format which allows for up to 9,999 addenda records with approximately 800,000 characters. Given this large addendum record capability, full and complete remittance information can be transmitted with the CTX payment. Therefore, it is possible for one CTX payment to cover multiple invoices since full remittance information will be transmitted to the vendor's financial institution together with the payment.

Agencies can also use the Payment Advice Internet Delivery (PAID**)** system to provide payment-related information to its vendors. PAID is a system developed by FMS to provide participating Federal agencies a method of making remittance information available to their vendors through the Internet. Vendors that register for PAID can receive e-mails notifying them when payment-related data has been posted to the system. Additionally, there is no charge to the Federal agency or the vendor to participate in PAID.

For more information on PAID, visit the PAID website at https://fmsapps.treas.gov/paid/. For more information on the EFT regulations, visit the EFT website at http://fms.treas.gov/eft/.

Questions regarding this matter can be directed to Matthew Helfrich, Manager, Customer Assistance Staff at (215) 516-8022 (matthew.helfrich@fms.treas.gov).

Agencies Making Significant Progress on TIN Compliance

The Debt Collection Improvement Act of 1996 requires that eligible Federal payments be offset to satisfy a delinquent debt owed to the Government by a payee (31 U.S.C. 3716). This law centralized the government wide collection of delinquent debt under the responsibility of the Financial Management Service (FMS).

FMS established the Treasury Offset Program (TOP), a computer matching program, to collect federal debt using a taxpayer identification number (TIN). The TIN is a nine-digit number, which is either an Employer Identification Number assigned by the Internal Revenue Service (IRS) or a Social Security number assigned by the Social Security Administration (SSA). TOP compares the TINs of delinquent debtors with the names and TINs of recipients of federal payments. If there is a match, the federal payment is reduced (levied) to satisfy the overdue debt. In order to support the TOP program, FMS issued the TIN Policy Directive on November 9, 2000, that requires Federal payment certifying officials to include a valid TIN on all Federal payment vouchers certified to Treasury for payment, except in specific limited circumstances.

However, a recent GAO audit found that many payment requests submitted to Treasury for disbursement lacked a valid TIN, and therefore prevented eligible payments to delinquent debtors from being offset. As a result of this GAO finding, PFC has been monitoring agency TIN compliance and working closely with its customer agencies to ensure that a valid TIN is included in each payment request.

The collaborative effort between PFC and it customer agencies has yielded impressive results. Overall TIN compliance by PFC's customer agencies has increased from approximately 86% in May of 2005 to over 96% in March of 2006. This dramatic increase in compliance could not have been possible without the cooperation and efforts of the customer agencies.

The GAO audit also found that payment requests lacked other critical information necessary to facilitate the offset of delinquent debts. Specifically, the GAO audit reported that many payment requests did not include a valid payee name and valid payment type. As a result, FMS and PFC will also be monitoring agency compliance to include a valid payee name and payment type in all payment requests submitted to Treasury. FMS recently informed agencies of the following standards in compliance for the inclusion of a valid TIN, payee name, and payment type on all payment requests:

98% to 100%	Outstanding
95% to 97%	Satisfactory
Below 95%	Unsatisfactory

An initial analysis performed by FMS indicates that payee name and payment type compliance among PFC's customer agencies hovers above 99%. Nonetheless, PFC encourages its customer agencies to remain vigilant to ensure that their payment requests include all necessary information required to facilitate the offset of payments to delinquent debtors.

For more information on the TIN Policy Directive, please visit http://www.fms.treas.gov/tinpolicy.

Questions regarding this matter can be directed to Matthew Helfrich, Manager, Customer Assistance Staff at (215) 516-8022 (matthew.helfrich@fms.treas.gov).

Age Limitation for Payment Search Requests

The Financial Management Service (FMS) has established an age limit for payment search requests which will be effective June 1, 2006. The new timeframe in which payment or claims information can be requested is as follows:

Treasury Checks
7 years from the date of issuance (Note: As announced by FMS' Financial Operations in correspondence dated February 8 and March 9, 2005.)

ACH Payments
6 years from the date of issuance

Requests over six years make up a very low percentage of the requests we receive. However, the following factors were key in establishing the new limits:

- Labor-intensive manual searches
- Limits of the PACER system's data storage capabilities
- NACHA Rules requiring financial institutions to keep ACH data for only six years
- Title 31, CFR 210 limit of six years on financial institution liability for ACH reclamations

Any exceptions to the above limits will be decided on a case by case basis, taking into account the resources available for research and the gravity of the request (e.g., U.S. Attorney, Agency Inspector General, Secret Service, other criminal or court cases, or ACH Reclamations where there is evidence the financial institution has older payments on hand).

Questions regarding this matter can be directed to Monique Goodwin, Manager, Claims Branch at (215) 516-8067 (monique.goodwin@fms.treas.gov).

Financial Management Service
Uncle Sam's Money Manager

P.O. Box 51317
Philadelphia, PA 191-6317

Phone: 215-516-8000
Fax: 215-516-8010
Email: philly@fms.treas.gov

The Philadelphia Financial Center Newsletter entitled PFC Journal is presented by the Customer Assistance Staff and addresses a variety of topics of interest to individuals in the Federal financial community.

The PFC Journal is published on a quarterly basis and is available exclusively on our website.

http://www.fms.treas.gov/pfc