

Collections and Cash Management Modernization (CCMM): Implications for Agencies

[Insert Presentation Location/Audience]

[Date]

Three Recurring Themes

- FMS is re-organizing collections systems and processes to save money and reduce operational risk
- FMS is changing how it performs reporting to provide agencies and other Treasury systems with detailed collections information through centralized means and in a standard format
- FMS also is changing how it performs reporting to improve the accuracy of information provided to agencies and meet Governmentwide Accounting requirements

Business Scope

- Within FMS, Federal Finance (FF) has three main responsibilities
 - Collect the revenue
 - Assist Treasury in its forecasting duties
 - Invest excess operating balances
- Meeting these responsibilities requires that FF perform other functions as well, such as:
 - Provide reports to agencies
 - Centralizing funds in the Treasury General Account (the Government's Checking Account)
 - Ensure that collections and investments are collateralized
 - Manage the banks that run these programs

Use of Depositories and Agents

- FMS makes extensive use of depositories and fiscal and financial agents, pursuant to statutory authorities
- Fiscal agents = Federal Reserve Banks
- Financial agents = Commercial banks
- Depositories = Either type of bank
- Statistics:
 - Nine FRBs
 - Over 20 commercial financial institutions
 - 135 TGA depositories
 - Thousands of TT&L depositories

Statistics Showing Business Scope

- \$3.1 trillion in annual gross revenue collections
- 400 million revenue transactions
- Hundreds of agency office customers
- Extensive use of depositories and fiscal and financial agents:
 - Nine FRBs
 - Over 20 commercial financial institutions
 - 135 TGA depositories
 - Thousands of TT&L depositories
- Over two dozen programs, each comprised of one or more services or systems
 - Some programs serve multiple functions, especially CA\$HLINK II and TT&L
- \$500 million in expenses

Examples of Revenue Collections

- Taxes (over \$2 trillion)
- Student loan repayments
- Customs duties
- National Park entrance fees
- Defense commissary retail sales
- U.S. Mint coin sales
- Donations to U.S. Battle Monuments Commission
- SEC filing fees
- FCC airwave auction fees

- Note: In most instances, the services and systems handle not only the financial information, but also the program information

CCMM Defined

- The Collections and Cash Management Modernization (CCMM) initiative is an initiative to simplify and modernize FMS's and Treasury's collections and cash management programs
- CCMM describes the business functions that will be part of our end state architecture, the boundaries of the programs that will serve those functions (and their connections), and the path for achieving the end state
 - Emphasis is on business architecture, as opposed to data architecture or technical architecture
 - An end state with a high level roadmap, not a management structure
- Re-architecting of functions and programs that have accumulated over decades
- Applies to most, but not all, of Federal Finance's collections and cash management programs
- Impacts other major business areas (Governmentwide accounting, payments)

Reasons

- Cost savings
 - Current operations are highly effective, but not efficient
 - Reduction in number of systems and processes
 - Elimination of duplication of data, applications, products, interfaces, and technologies
 - ACH debit example: 8 programs, 10 banks
 - Eliminate potential for costly dependencies on particular banks
- Risk mitigation
 - Complexity of the As-Is model and systems architecture is a growing operational risk to the Government
 - As-Is model lacks economies of scale
- Root cause is too many programs with redundant functionality

Notional Diagram

Showing Straight-Through Processing

Collect → **Report** → **Centralize** → **Forecast** → **Invest**

**Collection
Channels**

**Settlement
Mechanisms**

OTC & Terminals

Card

Mail

Check

Phone

ACH Debit

Internet

ACH Credit

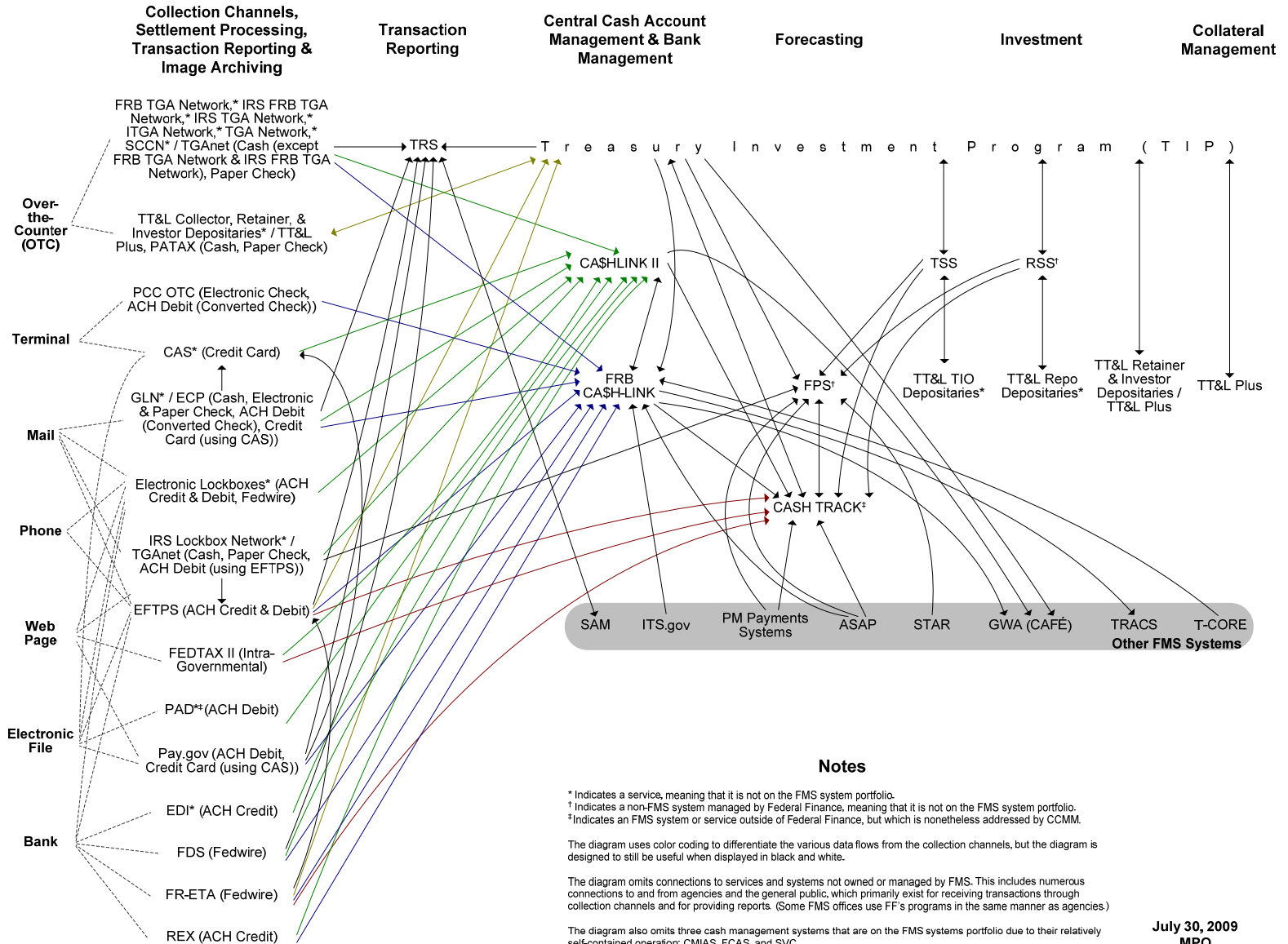
“Bank”

Wire

Business Lines

- OTC & Terminals Channel – Commercial Bank
- Mail Channel – Commercial Bank
- Phone Channel – Commercial Bank
- Internet Channel – Commercial Bank & Federal Reserve Bank
- Card Processing – Commercial Bank
- Debit Processing (ACH Debit & Check) – Federal Reserve Bank
- Credit Processing (ACH Credit & Fedwire) – Commercial Bank
- Transaction Reporting & Image Archiving – Commercial Bank & In-House
- Central Account Management – Federal Reserve Bank
- Forecasting – Federal Reserve Bank
- Investment – Federal Reserve Bank (eventually will be in-house)
- Bank Management – Federal Reserve Bank
- Collateral Management – Federal Reserve Bank

Collections & Cash Management Modernization: "As Is"



Notes

* Indicates a service, meaning that it is not on the FMS system portfolio.

† Indicates a non-FMS system managed by Federal Finance, meaning that it is not on the FMS system portfolio.

‡ Indicates an FMS system or service outside of Federal Finance, but which is nonetheless addressed by CCMM.

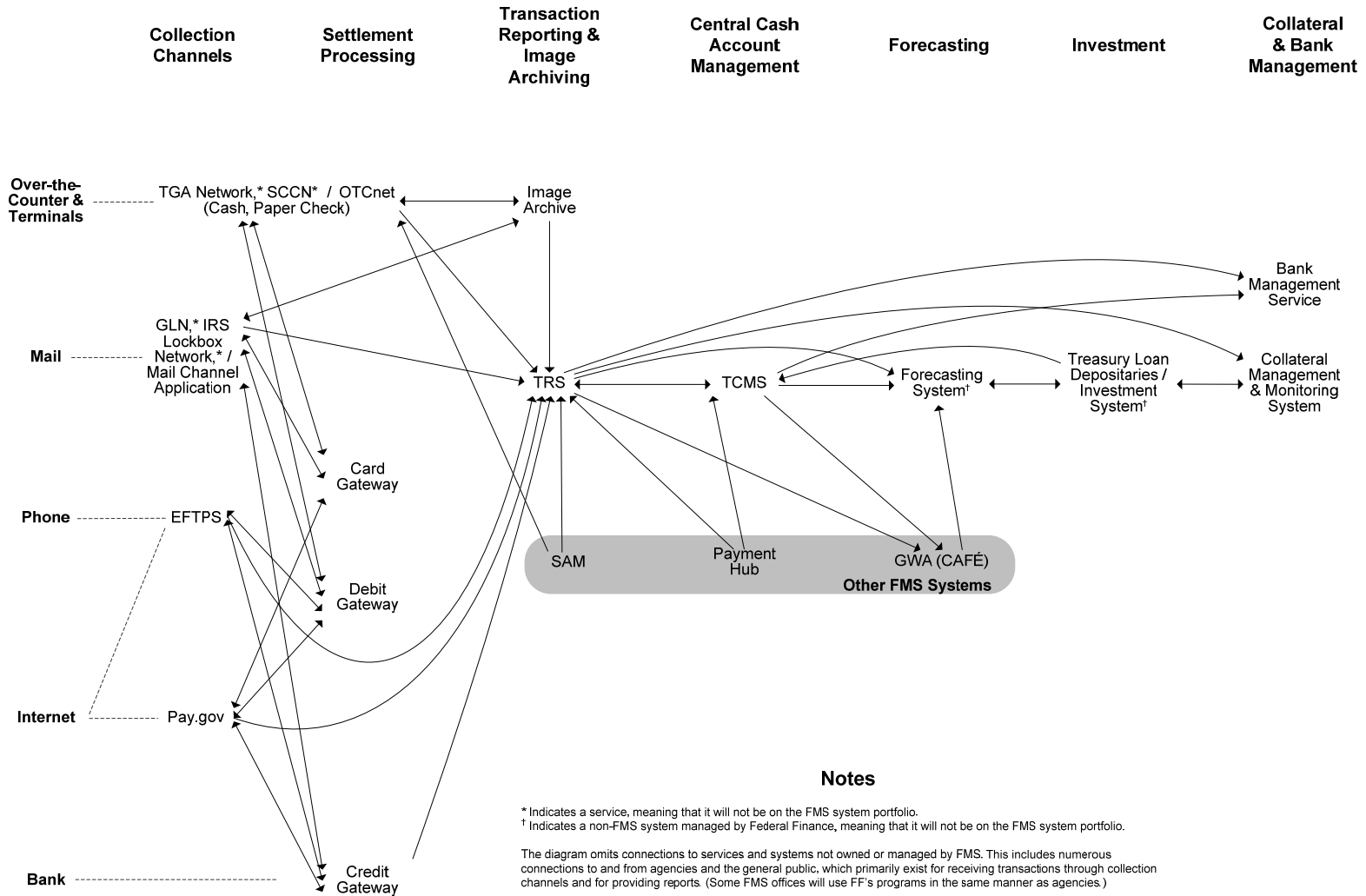
The diagram uses color coding to differentiate the various data flows from the collection channels, but the diagram is designed to still be useful when displayed in black and white.

The diagram omits connections to services and systems not owned or managed by FMS. This includes numerous connections to and from agencies and the general public, which primarily exist for receiving transactions through collection channels and for providing reports. (Some FMS offices use FF's programs in the same manner as agencies.)

The diagram also omits three cash management systems that are on the FMS systems portfolio due to their relatively self-contained operation: CMIAS, FCAS, and SVC.

July 30, 2009
MPO

Collections & Cash Management Modernization: “To Be”



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The diagram omits connections to services and systems not owned or managed by FMS. This includes numerous connections to and from agencies and the general public, which primarily exist for receiving transactions through collection channels and for providing reports. (Some FMS offices will use FF's programs in the same manner as agencies.)

The diagram also omits three cash management systems that are on the FMS systems portfolio due to their relatively self-contained operation: CMIAS, FCAS, and SVC.

Finally, the diagram does not show that card terminals will communicate directly (not thru the OTC Channel Application) with the Credit Card Gateway for authorizations.

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Principles

- Separate collection channels, settlement mechanisms, reporting and image archiving into distinct business lines and systems
 - Settlement as a shared service
 - Reduction of reporting touch points to agencies
- Push toward one system per business line
 - Breaking up of conglomerate, monolithic systems that span multiple business lines
 - Consolidation of redundant systems that serve individual business lines
- Increase use of commercial processes instead of Government-specific processes

Collection Channels (To-Be)

- One system per channel
- Settlement processing separated out and handled by separate systems
- Transaction reporting separated out and moved to TRS, using XML schema, and images stored in image archive
 - Channels provide data to TRS, not agencies
 - Channels must include TAS/BETC details (or C-Key) in providing data to TRS
- Reduction of unneeded duplication and complexity

Collection Channels (To-Be)

- OTC & Terminals Channel
 - Make deposit process more like commercial deposits, as opposed to a Government-specific approach
 - Fewer banks, more bank branches
 - Eliminate PATAX and over-the-counter processing of Federal Tax Deposit coupons
- Mail Channel—Make greater use of scanning and OCR
- Internet Channel—Pay.gov and EFTPS stay separate, expand use of online banking options
- Phone Channel—Limited to EFTPS

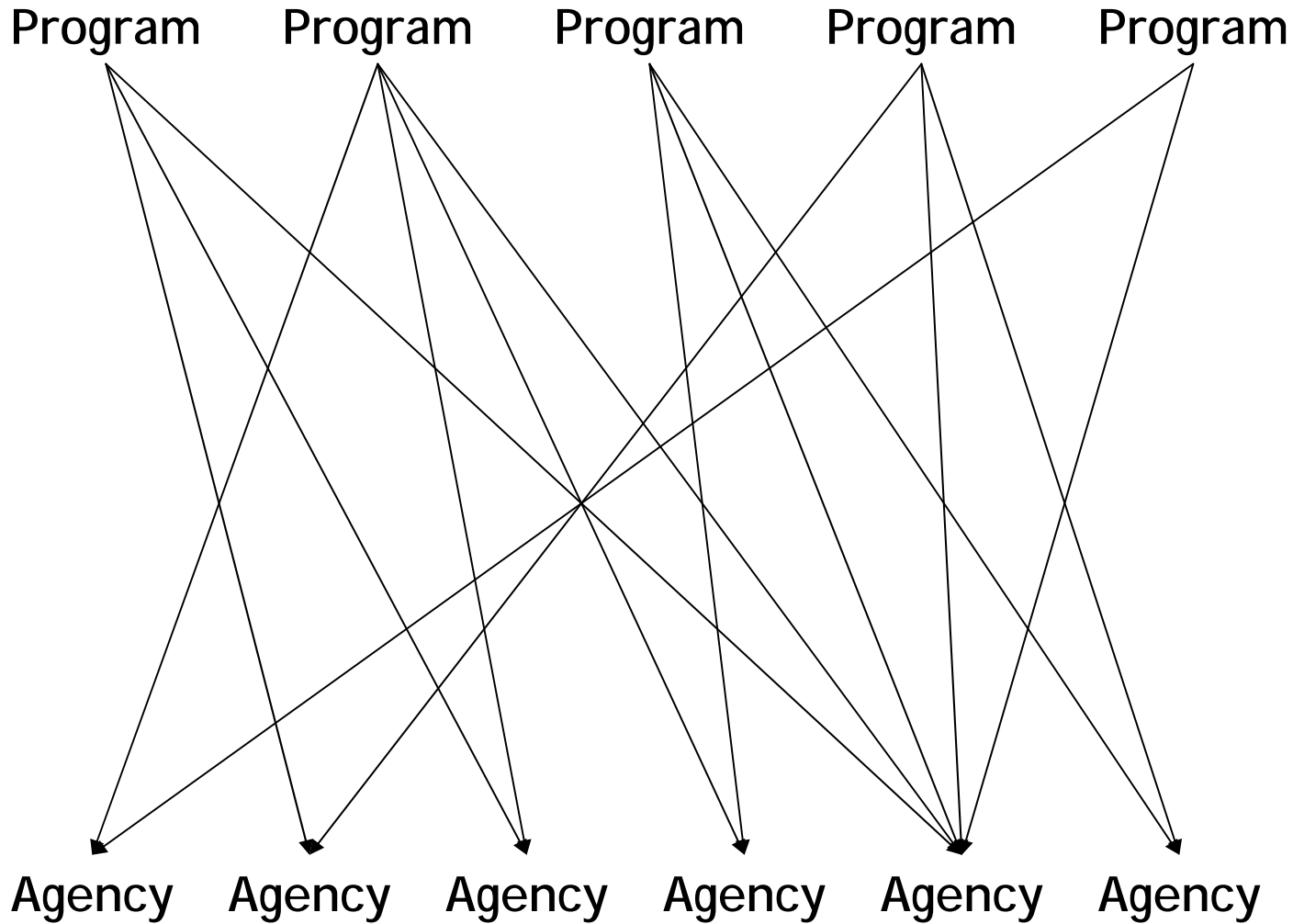
Settlement Processing (To-Be)

- Separate channels from settlement
 - Cornerstone of the collections line EA
- One system per settlement mechanism
- Settlement as a shared service
- “Settlement gateways” will broker transactions from channel applications into settlement mechanisms, using standard XML schema
- Fedwire and ACH credit settlement applications will send many transactions to channel applications for matching

Transaction Reporting & Image Archiving (To-Be)

- The Transaction Reporting System (TRS) will be a central warehouse for daily transaction details and the Image Archive will store images (accessible by TRS)
- TRS will be a central reporting hub that replaces many-to-many reporting connections and breaks direct links between agencies and agent banks
 - Single touchpoint for agencies
- TRS is at the heart of the new architecture

(As-Is)

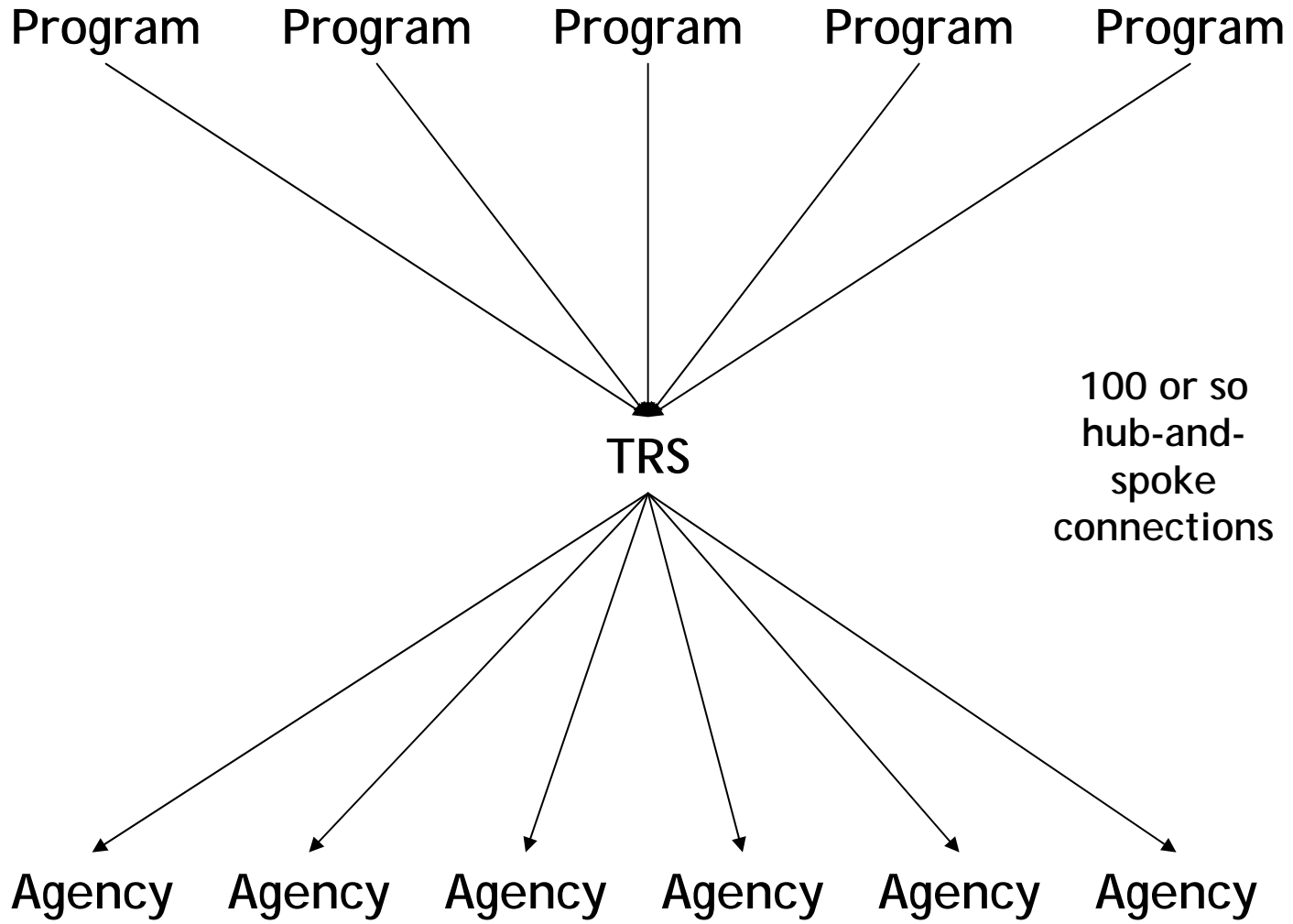


(Plus another 20 or so collection programs, some run by multiple banks)

Several hundred point-to-point connections

(Plus another 100 or so agency offices)

(To-Be)



100 or so
hub-and-
spoke
connections

Transaction Reporting & Image Archiving (To-Be)

- Use of XML for reporting purposes
 - Move away from proprietary file formats
 - Avoid lock-in issues
 - XML schema is designed for collections, payments, and other financial data
 - XML schema also accommodates agency-specific program data
 - XML schema includes space for agency-defined fields and allows agencies to have program data incorporated in a single block
- More information is available at: fms.treas.gov/eda

Transaction Reporting & Image Archiving (To-Be)

- TRS not only will consolidate transaction details from the various collection systems, it also will consolidate deposit reports
 - Agencies no longer will have to reconcile amounts from collections systems with deposit reports in CA\$HLINK II; this information will be consolidated and reconciled before going to agencies
- TRS also will include TAS/BETC details for transactions and forward this information to GWA
- TRS also will facilitate a new, simplified GWA accounting process
 - TRS (not agencies) provides “book” view to GWA; CA\$HLINK II (and its successor) provides the “bank” view to GWA
 - Agencies no longer will have to worry about Statement of Transactions and Statement of Differences

Central Cash Account Management (To-Be)

- New model
 - Direct settlement to the TGA for transactions settled by Federal Reserve Banks (large majority of dollars)
 - Elimination of FRB control accounts
 - Demand deposit accounts at commercial banks will remain
 - Earlier availability of funds
 - Faster transmission of settlement information to forecasting system
- Replace (PNC) CA\$HLINK II & FRB CA\$H-LINK functions with Treasury Cash Management System (TCMS)
 - Transfer funds to/from commercial banks
 - Provide deposit/transcript reporting to TRS, GWA, and other systems
 - Use Federal Reserve's commercial reporting tool (AMI) for certain internal reporting needs

Central Cash Account Management (To-Be)

- Other CA\$HLINK II and TIP functionality will be disaggregated; this presents the biggest challenge in CCMM, given the amount of functionality involved
 - CA\$HLINK II functionality disaggregated
 - Bank management is separated out and becomes its own application
 - Remittance Express and the Fedwire Deposit System are subsumed by new Settlement Applications
 - TIP functionality disaggregated
 - TIP's concentration functions will be unnecessary after the elimination of paper FTD collections in the TT&L program
 - Forecasting functions replaced by new forecasting system
- Facilitate goals of GWA initiative
 - TRS provides “book” view (with TAS/BETC); TCMS provides “bank view”
 - Eliminates need for Statement of Differences and Statement of Transactions

Collateral & Bank Management (To-Be)

- Systems/services dedicated exclusively to bank management and collateral monitoring and management
 - Removed from CA\$HLINK II and TIP, respectively
- Improved agency access to collateral information

Other Changes

- Update CFR, Treasury Financial Manual, and Federal Reserve Operating Circulars
- Standardize records retention policies
- Clarify policies on agencies should be charged for services
- Implement “holistic approach” for dealings with agencies

Collection Channels

Before

FRB TGA Network, IRS FRB TGA Network, IRS TGA Network, ITGA Network, TGA Network, SCCN / TGAnet, EBS

TT&L Collector, Retainer, & Investor Depositories / TT&L Plus & PATAX

PCC OTC

PCN, Credit Card Acquiring Service

GLN - Paper Lockboxes / ECP

GLN - Electronic Lockboxes

IRS Lockbox Network / TGAnet

EFTPS

RRBLink

FEDTAX II

PAD

Pay.gov

EDI

FDS

FR-ETA

REX

After

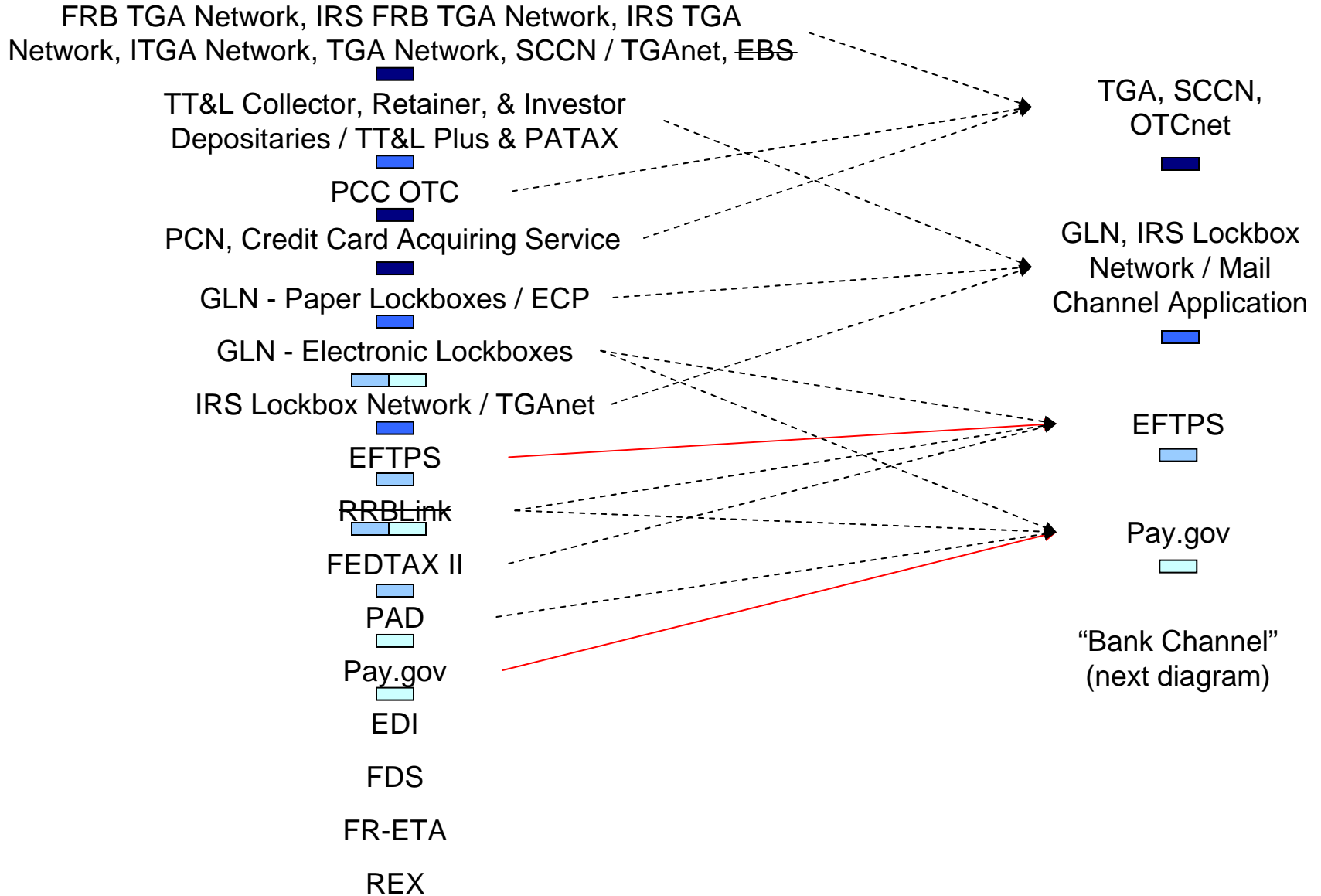
TGA, SCCN, OTCnet

GLN, IRS Lockbox Network / Mail Channel Application

EFTPS

Pay.gov

"Bank Channel"
(next diagram)



Settlement Gateways/Applications & Mechanisms

Before

FRB TGA Network, IRS FRB TGA Network, IRS TGA Network, ITGA Network, TGA Network, SCCN / TGAnet, EBS

TT&L Collector, Retainer, & Investor
 Depositories / TT&L Plus & PATAX

PCC OTC

PCN, Credit Card Acquiring Service

GLN - Paper Lockboxes / ECP

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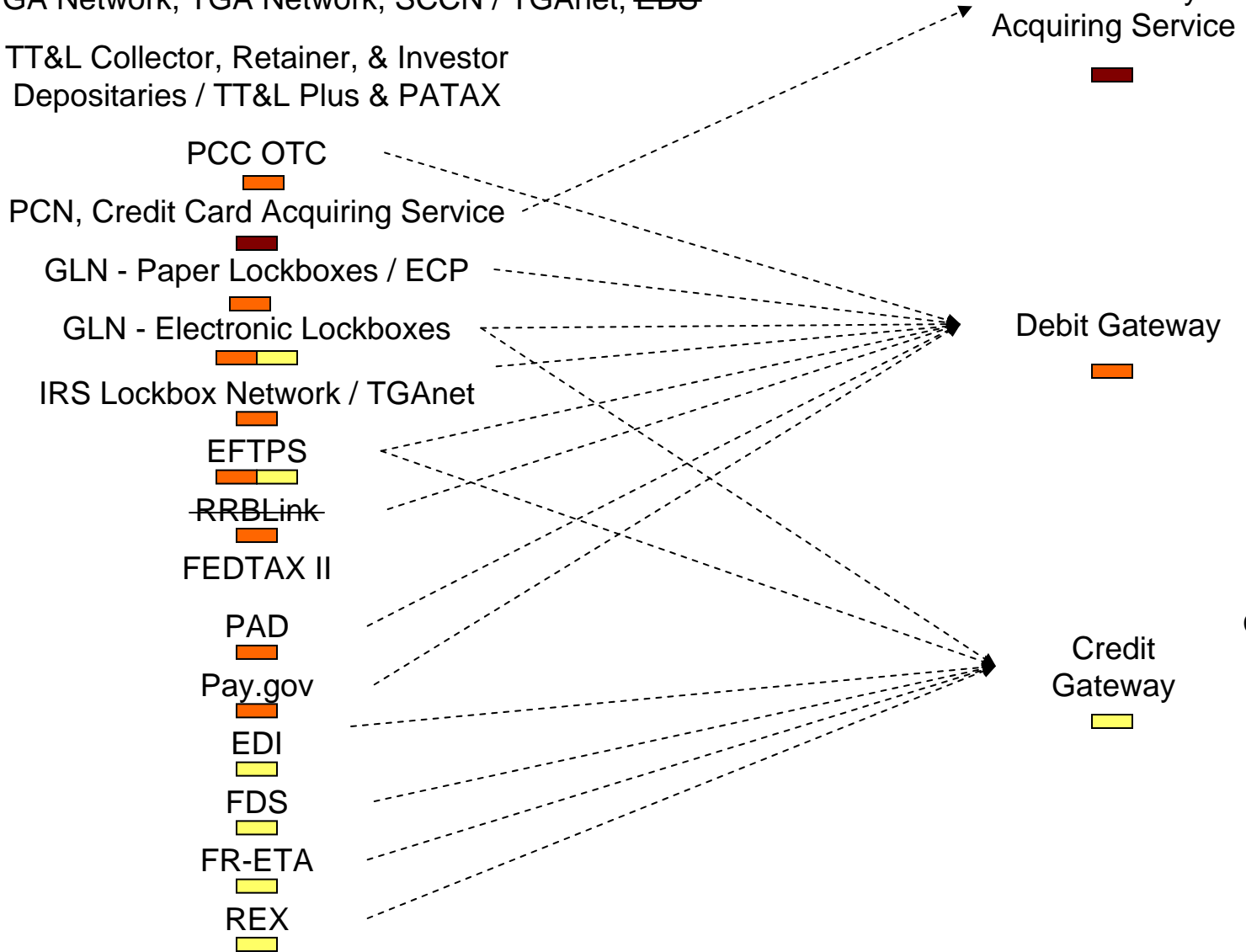
After

Card Gateway & Acquiring Service

Debit Gateway

Credit Gateway

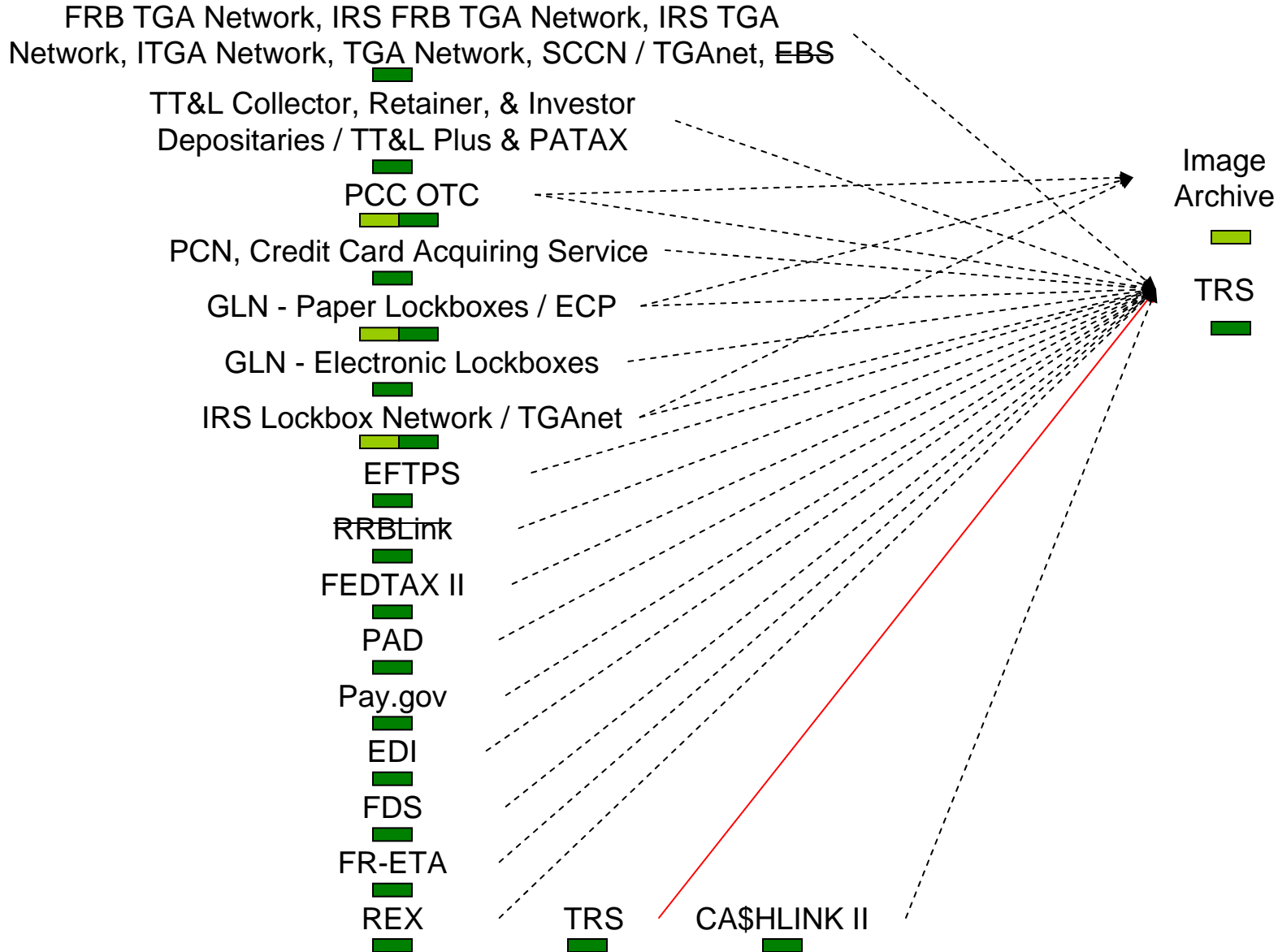
“Bank Channel”



Transaction Reporting, Deposit Reporting & Image Archiving

Before

After



Major Accomplishments to Date

- Selected agents for all business lines
- Separated restorations from CA\$HLINK II
- Eliminated non-value Fedwires in FR-ETA
- Transitioned E-Lockbox/DDIA tax functions to EFTPS
- Decommissioned these systems:
 - EBS
 - RRBLink
 - TERMLink
- Decommissioned this service:
 - Plastic Card Network
- Deployed TRS data warehouse & infrastructure
- Connected PATAX, ECP, TGA.net, Pay.gov, EFTPS (w/ FR-ETA), FDS, and SAM (GWA system) to TRS
- Began limited reporting from TRS to GWA “the GWA Way” for certain deposits processed through CA\$HLINK II
- Completed analysis as to which platform should host each new application

Upcoming Milestones (6-9 months)

- Connect Card Acquiring Service to TRS
- Implement expanded “GWA way” reporting including certain deposits handled through FRB CA\$H-LINK
- Implement the Debit Gateway and begin connecting applications to it
- Implement the Credit Gateway and begin connecting applications to it
- Select Card Gateway solution
- Finalize the vision for the TGA

Summary of Agency Impacts

- FMS collection programs will be more logically organized and fewer in number
- Agencies may need to move from programs being decommissioned to new programs
 - OTCnet
 - Credit Gateway
 - TRS
- Agencies need to determine how to report TAS/BETC for each cash flow and populate the Shared Accounting Module (SAM)
- Transaction reports and deposit reports will be centralized in one system – Transaction Reporting System (TRS). Agencies will need to reprogram.
- Greater emphasis will be made on agency reporting of accurate Large Dollar Notifications.
- Agency access will be improved for collateral data on funds held outside Treasury.
- The re-architecting of existing functionality likely will slow down development of new functionality
- Agencies may have questions or concerns about a standardized records retention policy and ancillary (value-added) reimbursement policy

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Agency Customer Relationship Managers
www.fms.treas.gov/crm/contacts.html