

Financial Management Service

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2008	FY 2009	FY 2010		
	Enacted	Enacted	Request	\$ Change	% Change
Salaries and Expenses	\$298,598	\$239,785	\$244,132	\$4,347	1.8%
Payments	\$210,152	\$147,717	\$150,395	\$2,678	1.8%
Collections	\$19,804	\$21,521	\$21,911	\$390	1.8%
Government-wide Accounting and Reporting	\$68,642	\$70,547	\$71,826	\$1,279	1.8%
Subtotal, Financial Management Service	\$298,598	\$239,785	\$244,132	\$4,347	1.8%
Offsetting Collections - Reimbursables	\$215,179	\$228,010	\$234,690	\$6,680	2.9%
Total Program Operating Level	\$513,777	\$467,795	\$478,822	\$11,022	2.4%

Note: The FY 2008 Enacted Column includes \$64.2 Million in Economic Stimulus Funds.

Explanation of Request

The Financial Management Service (FMS) FY 2010 President's Budget request focuses on continued implementation of modernization initiatives in FMS' payments, collections, debt collection, and government-wide accounting functions. One such initiative is the Financial Information Reporting Standardization (FIRST) which will enhance and improve operations by improving accuracy and integrating budgetary and government-wide accounting with proprietary information. Another initiative is the Collections and Cash Management Modernization (CCMM) program which is streamlining, modernizing and improving the process of Treasury's collections and cash management programs.

Total resources required to support FMS activities for FY 2010 are \$478,822,000, including \$244,132,000 from direct appropriations, and \$234,690,000 from offsetting collections and reimbursable programs.

effectively by operating as the financial manager and principal fiscal agent for the Federal Government. This role includes managing the nation's finances by collecting money due to the United States, disbursing its payments, and performing central accounting functions.

As the Government's financial manager, FMS oversees a daily cash flow in excess of \$60 billion, disbursing 85 percent of the Federal Government's payments. These payments include income tax refunds, Social Security benefits, veterans' benefits and other Federal payments to individuals and businesses. FMS also administers the world's largest collection system, collecting over \$3.1 trillion in FY 2008. FMS provides cash management guidance to Federal Program Agencies (FPAs), maintains the Government's accounting books, and compiles and publishes government-wide financial information used to monitor the Government's financial status. Finally, FMS serves as the Government's central debt collection agency for delinquent non-tax debt.

Purpose of Program

The Financial Management Service (FMS) plays a key role in supporting the Department of the Treasury's strategic goal of managing the United States Government's finances

FMS FY 2010 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2009 Enacted	239,785
Changes to Base:	
Maintaining Current Levels (MCLs):	\$4,347
Across the Board Program Reduction	(1,174)
Pay Annualization	1,558
Pay Inflation Adjustment	3,155
Non-Pay Inflation Adjustment	808
Subtotal FY 2010 Changes to Base	\$4,347
Total FY 2010 Base	244,132
Total FY 2010 President's Budget Request	244,132

FY 2010 Budget Adjustments

FY 2009 Enacted

The FY 2009 enacted direct appropriation for FMS is \$239,785,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +\$4,347,000 / +0 FTE

Funds are requested for: Across the Board Program Reduction of \$1,174,000; FY 2010 cost of the January 2009 pay increase of \$1,558,000; proposed January 2010 pay raise of \$3,155,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$808,000.

Explanation of Budget Activities

Salaries and Expenses

Payments (\$150,395,000 from direct appropriations and \$137,057,000 from reimbursable programs) FMS issues and distributes payments, develops and implements Federal payment policy and procedures, promotes the use of electronics in the payment process, and assists agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). This activity also includes controlling and providing financial integrity to the payments process through reconciliation, accounting, and claims activities. Included in this activity is the claims activity which settles

claims against the United States. These claims result from Federal Government checks that have been forged, lost, stolen, or destroyed. FMS collects monies from those parties liable for fraudulent or otherwise improper negotiation of Government checks. It also includes processing claims and reclamations for EFT payments.

Collections (\$21,911,000 from direct appropriations and \$113,000 from reimbursable programs) FMS collects revenues needed to operate the Federal Government through the management of the Federal Government's collections infrastructure. FMS collected a record of \$3.2 trillion in FY 2008 through a network of more than 9,000 financial institutions. It also manages the collection of Federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, and fines and proceeds from leases.

Debt Collection (\$93,397,000 from reimbursable programs) The Debt Collection activity collects delinquent Government and child support debt by providing centralized debt collection, oversight, and operational services to FPAs and states as required by the Debt Collection Improvement Act (DCIA) of 1996 and related legislation. The services include, but are not limited to, collecting delinquent debts through Cross-Servicing and offsetting Federal payments, providing a database for use as a tool for barring delinquent debtors, providing post-judgment collection, advising and educating agencies towards improving debt management, and referrals to the Department of Justice.

Government-wide Accounting and Reporting (\$71,826,000 from direct appropriations and \$4,123,000 from reimbursable programs) The Government-wide Accounting and Reporting activity

maintains the Federal Government's books and accounts for its monetary assets and liabilities by operating and overseeing the Government's central accounting and reporting system. It also works with Federal agencies to adopt uniform accounting and reporting standards and systems and provides support, guidance, and training to assist FPAs in improving their government-wide accounting and reporting responsibilities. FMS gathers and publishes government-wide financial information which is used in establishing fiscal and debt management policies and is also used by the public and private sectors to monitor the Government's financial status. These publications include: the Daily Treasury Statement, the Monthly Treasury Statement, the Treasury Bulletin, the Combined Statement of the United States Government, and the Financial Report of the United States Government (FR).

Legislative Proposals

Authorize Post-Levy Due Process for Levies Under the Federal Payment Levy Program

This proposal would further expand the exception to the requirement for pre-levy collection due process (CDP) hearing proceedings. This would include levies issued to collect Federal tax liabilities from Federal vendor payments under the Federal Payment Levy Program. The proposal will allow IRS to levy the payment at the time the payment is identified. Debtors will have an opportunity for a CDP hearing within a reasonable period after the levy. This proposal is estimated to result in an additional \$1.2 billion in collections over ten years.

Technical Correction to Allow IRS to Levy 100 Percent of All Vendor Payments to Collect Delinquent Taxes

The current language, which was intended to cover all Federal vendor payments, refers to payments for "goods and services." This has been interpreted to exclude payments for the purchase or lease of real estate. Therefore, a technical correction is proposed to ensure that all Federal vendor payments are covered. This proposal is estimated to result in an additional \$845 million in collections over ten years.

FMS Performance by Budget Activity

Budget Activity	Performance Measure	FY 2006	FY 2007	FY 2008		FY 2009	FY 2010
		Actual	Actual	Actual	Target Met?	Target	Target
Payments	Percentage of Treasury payments and associated information made electronically (%) (Oe)	77.00	78.00	79.00	Yes	80.00	81.00
Collections	Percentage collected electronically of total dollar amount of Federal government receipts (%) (Oe)	79.00	79.00	80.00	Yes	80.00	80.00
Debt Collection	Amount of delinquent debt collected through all available tools (\$ billions) (Ot)	3.34	3.76	4.41	Yes	3.90	3.70
Government wide Accounting and Reporting	Percentage of Government-wide accounting reports issued accurately (%) (Oe)	100	100	100	Yes	100	100
Government wide Accounting and Reporting	Percentage of Government-wide accounting reports issued timely (%) (E)	100	100	100	Yes	100	100

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance

Payments: In FY 2008, FMS issued nearly 1 billion non-Defense payments worth \$1.8 trillion to a wide variety of recipients, such as those who receive Social Security benefits, IRS tax refunds, and veterans' benefits. Seventy-nine percent of all payments disbursed were issued via direct deposit. In addition, FMS issued an additional 119 million Economic Stimulus Payments valued at over \$96 billion. Over 36 percent of the Economic Stimulus Payments were issued by direct deposit. In FY 2010, FMS will continue to expand the use of electronic media to deliver Federal payments. Electronic media provides a safer, more secure and reliable method of payment for recipients. It also decreases the number of paper checks issued, which minimizes costs and inefficiencies associated with the delivery of non-electronic benefits.

Collections: In FY 2008, FMS collected a record \$3.2 trillion of which 80 percent was collected electronically through a network of more than 9,000 financial institutions. Dollar revenues collected in FY 2008 exceeded those collected in FY 2007. FMS is in the process of developing a comprehensive effort to streamline, modernize, and improve the processes and systems supporting Treasury's collections and cash management program. This effort, Collections and Cash Management Modernization (CCMM), will improve financial performance by enabling FMS and government agencies to more effectively manage financial transaction

information and improve the efficiency of the collections information reporting processes.

Debt Collection: In FY 2008, FMS collected a record \$5.9 billion in delinquent debt which includes \$1.5 billion in Economic Stimulus payment offsets. As a result of FMS' program improvements, total collections since the enactment of the DCIA in 1996 are over \$37.4 billion through FY 2008. FMS will continue to roll out Debt Check, an online program used to help agencies bar delinquent debtors from obtaining new loans or loan guarantees

Government-wide Accounting and Reporting: For FY 2008, FMS released the Financial Report of the United States Government (FR) 75 days after the fiscal year-end. The FR presents a picture of government-wide finances that complements the traditional Federal Government budget information. Additionally, FMS issued 100 percent of its government-wide accounting reports accurately and timely. FMS will continue to revamp and implement government-wide accounting processes to provide more useful and reliable financial information on a regular basis. FMS will continue moving forward on the Financial Information and Reporting Standardization (FIRST) initiative. This initiative integrates budget and financial reports from FPAs. FIRST will improve the consistency of the budgetary and proprietary accounting data recorded in agency financial statements and reported to FMS through its trial balance.