

Financial Management Service

A Bureau of the United
States Department of
the Treasury

Function

- ✍ Acting as the U.S. Government's money manager, FMS provides centralized payment, collection, and reporting services for the Government.

Cash Management Objectives

- ✍ Collect funds owed to the Government as quickly as possible at the lowest cost to reduce the need to borrow funds.
- ✍ Time the payment of Government funds to allow for earning the most interest before funds are paid out.

The Role of the Federal Reserve Bank

- ✍ Collections
- ✍ Payments
- ✍ Investments
- ✍ Accounting

FMS's Relationship with Federal Agencies

- ✍ Review all sources of collections
- ✍ Recommend the best way to collect funds
- ✍ Make payments for almost 90% of all Federal Agencies

Collections for year ended September 30, 2005

✍ Electronic: \$2.1 trillion 79%

✍ Paper: \$0.5 trillion 21%

Electronic Collection Mechanisms

✍	Electronic Federal Tax Payment System	\$1.8 trillion	67%
✍	Fedwire Deposit System	\$265.5 billion	
✍	Lockbox ACH	\$34 billion	
✍	Credit Card Collections	\$5.5 billion	
✍	Internet Collections	\$2.3 billion	

Paper Collection Mechanisms

✍ Lockbox (taxes)	\$300 billion
✍ TGA (taxes)	\$103 billion
✍ FTD	\$ 71 billion
✍ Lockbox (non-tax)	\$ 35 billion
✍ TGA (non-tax)	\$ 34 billion

Relationships with Financial Institutions

- ✍ Designate financial institutions for collection services and some payment services
- ✍ 8 Major Financial Institutions

Relationships with Financial Institutions

- ✍ Sign financial agency agreements with designated financial institutions
- ✍ Negotiate prices of services
- ✍ Pay through an appropriation of funds
- ✍ Agreements with Agencies

U.S. Government Payments

- ✍ Treasury issues almost 90% of all Federal payments on behalf of Federal Agencies.
- ✍ Other 10% are issued by the U.S. military.
- ✍ Treasury Payment Volume is 940 million.
- ✍ Treasury Payment Amount is \$1.5 trillion.
- ✍ 75% are made by electronic funds transfer.
- ✍ 25% are made by check.

Federal Payment Types Percentage of Total Volume

- ✍ Salary -- 6%
- ✍ Benefits -- 79% Social Security benefit payments are 83% of total benefit payments; others are veterans, federal employee retirement
- ✍ Tax Refunds -- 12%
- ✍ Vendor -- 2%
- ✍ Miscellaneous -- 1%

U.S. Treasury Payments Objective: Increase Electronic Funds Transfer

- ✍ EFT is the preferred payment method.
- ✍ EFT benefits the payment recipient its safer, faster, more convenient.
- ✍ EFT benefits the U.S. Treasury it costs 63 cents more for check than EFT.

Methods For Increasing EFT Payments

- ✍ Educate payment recipients on the benefits of EFT through:
 - National and Local Media
 - Grassroots efforts (GO-DIRECT)
 - Check inserts
 - Call Center

Methods For Increasing EFT Payments: Electronic Transfer Account

- ✍ Approximately 4.5 million Federal benefit payment recipients do not have a bank account.
- ✍ The ETA is a low cost account that any Federal benefit recipient may open regardless of credit history.
- ✍ The ETA may be offered by any bank under conditions set for in an agreement between the bank and FMS.
- ✍ Approximately 80,000 ETA accounts are active.

Stored Value Cards

- ✍ Used to replace U.S. currency needs on U.S. military bases overseas.
- ✍ Reduces the costs and risks of shipping, storing, and handling cash.
- ✍ Reduces the amount of U.S. currency in circulation overseas.
- ✍ Provides convenience to soldiers, support agencies, and on-site merchants.

How Stored Value Cards Work

- ✍ Card is issued to an individual, value is loaded on the card.
- ✍ Individual visits participating merchants to make a transaction.
- ✍ Merchant runs transaction through Point-of-Sale terminals – transmits file at end of day to U.S.
- ✍ FRB processes transactions and sends payment by ACH.
- ✍ Merchants receive payments in their bank account the next business day.

Description of Stored Value Card Programs -- EagleCash

- ✍ Overseas application used by U.S. Army
- ✍ Used at 3 bases in Europe; 5 bases in Middle East; and 1 base in Central America
- ✍ 65,000 cards have been issued/ \$180 million

Description of Stored Value Card Program -- EZPay

- ✍ Used by the U.S. Army, Air Force, and Marines to support basic training in U.S.
- ✍ Used at 6 Army bases; 1 Air Force base; and 2 Marine bases
- ✍ 1.3 million cards issued/\$335 million

Description of Stored Value Card Programs -- Navy Cash

- ✍ Used by the U.S. Navy and Marines at sea and ashore
- ✍ Installed on 65 ships
- ✍ 165,000 cards issued/\$580 million

Challenges

- ✍ Enterprise Architecture
- ✍ Increase Electronic Transactions
- ✍ Improve Remaining Paper Transaction Processing