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Financial Management Service, a Bureau of the U.S. Department of the Treasury
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Corvelli McDaniel
Editor-in-Chief:
Teri Hoehn
Associate Editor:
Shalene Gupta
Editorial Board:
Jennifer Evans *(Information Resources)*
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Tom Longnecker *(Legislative and Public Affairs)*
Luz Davila Lopez *(Governmentwide Accounting)*
Rosemary McCambridge *(Debt Management Services)*
Michael Norman *(Governmentwide Accounting)*
Edita Rickard *(Payment Management)*
Mark Stromer *(Federal Finance)*
Address:
401 14th Street, SW, Room 404C
Washington, D.C. 20227
Phone: 202-874-6694
Fax: 202-874-6965
Website: www.fms.treas.gov/finconn
Email: teri.hoehn@fms.treas.gov
For a free electronic subscription, visit: fms.treas.gov/scripts/subscription

Commissioner Lebryk Testifies Before Congress on FMS's Successful Debt Collection Efforts

By Tom Longnecker, Legislative and Public Affairs

Commissioner David A. Lebryk testified recently before the House Oversight and Government Reform Subcommittee on Government Organization, Efficiency and Financial Management's hearing, *"Red to Black: Improving Collection of Delinquent Debt Owed to the Government."*

Mr. Lebryk highlighted accomplishments FMS has made in improving debt collection operations in several key areas, including collecting delinquent debt owed by federal employees, Medicare providers and federal contractors. He also cited FMS's success in increasing its collections of delinquent debt. In FY2010, FMS collected $5.45 billion of delinquent debt, a 7.3 percent increase over FY2009, and a 67 percent increase over FY2005.

"FMS continually looks for ways to improve and expand its debt collection operations and increase operational efficiencies," Lebryk said. "Increasing the collections of delinquent debt in a cost-effective manner, while treating debtors fairly and maintaining their privacy and security, remains a high priority for Treasury."

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DMS Celebrates 15 Years of DCIA with $47.9B in Collections and A New Strategic Plan for the Future

By Jeffrey Schramek, Acting Assistant Commissioner, Debt Management Services

Throughout my 13 years in the Debt Management Services (DMS) organization, I have had the tremendous opportunity of working with many knowledgeable, dedicated and hard-working employees. I have also had the pleasure of meeting many of our partners in the Federal Program Agencies (FPAs) and talking to them about their debt collection experiences and concerns for the future. It is through the combined efforts of the FPAs and DMS workforce that we experienced another successful year in FY2010 with collections exceeding $5.45 billion.

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DMS Celebrates 15 Years of DCIA with $47.9 Billion in Collections

By Jeffrey Schramek, Acting Assistant Commissioner, Debt Management Services

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I would like to take this opportunity to thank the DMS workforce and our FPA partners for their contributions to the development and growth of the debt program, which commemorated its fifteenth anniversary on April 26.

This is an exciting time for DMS, and we have been very busy this past year reviewing our existing operations and developing a roadmap for the future. We have been in the debt business for fifteen years and the portfolio of delinquent federal debt continues to grow every year. It is incumbent on us to continue to look for opportunities to increase debt collections by researching new collection strategies and initiatives. This includes maximizing our operational capabilities and efficiencies as well as improving and modernizing our systems to better serve federal and state agencies.

We are very excited to share with you a major effort we are undertaking that we believe will result in a significant improvement in our debt collection capabilities. We have just finalized our DMS Strategic Plan that covers FY2011. In our Strategic Plan, we identified our Mission, Vision and Values and our Four Goals: Increase Collections, Strengthen Agency Relationships, Energize and Optimize the Workforce, and Pursue Operational Excellence. DMS has identified the following seven strategies to help us achieve these goals:

1. Strengthen Treasury's debt collection authorities
2. Increase call center capacity and debt services
3. Implement and utilize state-of-the-art debt collection tools
4. Optimize debt collection processes
5. Collaborate with customers and stakeholders
6. Increase analytical capabilities
7. Optimize debt operations

We also have an Operational Plan that covers the key tasks that will be accomplished in FY2011. For example, as part of Strategy 2 to Increase Call Capacity and Debt Services, we reached a decision to repurpose our Austin Financial Center (AFC) to a Debt Collection Center. We are currently in the process of educating and training AFC employees to assimilate them in the business of debt collection. Austin is already supporting DMS in a number of debt-related operations, and our plan is on target to have Austin fully operational as a Debt Collection Center as of October 1, 2011.

We have already established the AFC as a second call center that will operate as a fully parallel operation to the call center in Birmingham. The first phase of the project in FY2010 provided a back-up interactive voice response capability, which will be able to service more than 90 percent of the Treasury Offset Program (TOP) call volume in a disaster recovery scenario. In addition, the first group of employees from the AFC began a rotation in the Treasury Offset Program Call Center in January and assisted Birmingham in handling the increased call volumes during the busy tax season.

DMS' primary mission is to work with federal and state government agencies to provide a comprehensive debt management program to increase our performance of collecting delinquent debt. As stated in Strategy 5, DMS will collaborate with customers and stakeholders to strengthen relationships and foster mutual success. We are very excited about the formation of our new Agency Advisory Council (AAC) (see page 10), which will give us an opportunity to work more closely with our agency customers. The AAC, which includes FPA representatives who have worked in the debt collection area for many years, held its kickoff meeting last December. The meeting was extremely productive and there was a robust and informative discussion among the participants. Our next scheduled meeting is May 17, 2011.

As part of Strategy 3, DMS will continue to work toward building increased collections by providing new services and additional tools to the agencies to help resolve their debt related challenges and optimize debt collection. Recently, representatives from DMS met with contractors to discuss the plan for how DMS will integrate skip tracing, data scrubbing and debt scoring into our debt analyses tool box. DMS will also expand hearing services for administrative wage garnishment and salary offset to additional FPAs.

We are very proud that we have worked with federal and state government agencies to collect over $47.9 billion since inception of the DMS program and the Debt Collection Improvement Act of 1996. While we in the debt collection community should be proud of that accomplishment, we need to do more. By 2015, our goal is to increase the amount we collect each year to more than $7B.

Commissioner Lebryk Testifies Before Congress on FMS Debt Collection

By Tom Longnecker, Legislative and Public Affairs

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Mr. Lebryk also detailed FMS's role in collecting tax, non-tax and child support debts owed to states, citing a recent example in which FMS has been working with the Department of Labor and state governments to collect unemployment compensation debts. The first two participating states – New York and Wisconsin – experienced immediate success, with New York receiving collections of $2.8 million in two days and Wisconsin receiving $640,000 in just one day.

FMS continues to aggressively look for ways to increase future collections. In his testimony, Mr. Lebryk outlined FMS's ambitious and multifaceted strategy to increase collections by $5 billion over 10 years. This strategy includes legislative changes and initiatives contained in the FY 2012 Budget, making operational and process improvements, and increasing collaboration with our federal and state partners.

The subcommittee members expressed their desire to be a partner in these efforts and stated their commitment to work with FMS, Treasury and Office of Management and Budget (OMB) to craft legislation to increase the collection of delinquent debt.

The hearing can be viewed via the House Oversight and Government Reform Committee's YouTube website at: http://www.youtube.com/watch?v=T3JFeuLx788&feature=relmfu

Commissioner Lebryk's written testimony before the subcommittee can be read at: http://www.fms.treas.gov/news/reports/testimony-mar11-2011.pdf

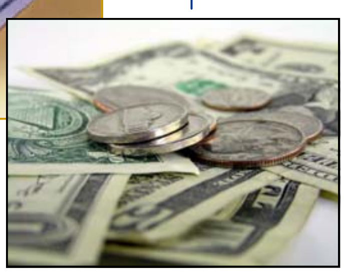
FMS Commissioner, David A. Lebryk, testifies before the House Subcommittee on Oversight and Government Reform about FMS's Debt Collection efforts. Photo/U.S. House of Representatives

OTCnet Successfully Launches Single Processing System for FPAs and FIs

By Reginald McKinney, Over the Counter Revenue Collection Division

OTCnet is here! After a successful period of planning, system design, and gathering stakeholder feedback, FMS is proud to announce that it will now be easier for agencies and financial institutions to process over the counter deposits. On February 5, 2011, Financial Management Service (FMS) launched the Over the Counter Channel Application (OTCnet) Release 1.0, with the first transactions in the OTCnet pilot program successfully completed on February 9. With the launch of OTCnet, FMS is now on-boarding additional users at Federal Program Agencies (FPAs) and Financial Institutions (FIs) throughout 2011 and 2012.

OTCnet marks a major milestone for FMS. The new system will consolidate and modernize the legacy Treasury General Account Deposit Reporting Network (TGAnet) and the Paper Check Conversion Over the Counter (PCC OTC) check capture system into a single, secure, web-based



application. As part of the Collections and Cash Management Modernization (CCMM) initiative, OTCnet will support FPAs, FIs, and Federal Reserve Banks (FRBs) with cutting-edge transaction processing services that automate collection, reconciliation, research, and reporting processes.

Consolidation of systems under OTCnet will bring to life a robust business line capable of handling U.S. and foreign currency and check deposits seamlessly with one application. OTCnet will:

- Upgrade paper check conversion processing so that it can be done end to end over the Internet without the need for special client software;
- Comply with the latest FISMA audit, user access/ provisioning, system security, and Personal Identity Verification standards and requirements;
- Facilitate compliance with the Government-Wide Accounting Modernization and report collections "the GWA way;" and
- Utilize an integrated Web-based Training (WBT) that addresses all modules and functions of the OTCnet system as an option for training users.

OTCnet's new design and offline capability supports the varied geographical and operational settings of FMS's customer agencies. OTCnet will retain the settlement process for the TGAnet and PCC OTC systems, but with improvements to the overall look and feel, strengthened controls at the client for check capture, and the benefit of having one system that supports OTC processing needs.

A Plan for Success

To ensure the success of the new system, FMS developed OTCnet over a two year period focusing on planning, partnerships, and stakeholders. Planning for OTCnet included an extensive software development, design, and testing process. This included identification of system requirements, developing conversion procedures, and fine tuning and testing the new system. Through this careful “behind the scenes” work, FMS has developed and tested a fully-functional, user-friendly system.

Partnerships have been an essential component of the development of OTCnet. By working closely with Citibank since April 2009, FMS has brought diverse strengths and capabilities to the table that maximize resources in a robust, efficient development effort. This integrated team has been dedicated to the successful development of OTCnet, while simultaneously providing ongoing support to the TGAnet and PCC OTC legacy systems.

Perhaps the most important aspect of OTCnet’s development has been FMS’s engagement with key stakeholders. A vigorous communications and outreach program has included development of the OTCnet website (www.fms.treas.gov/OTCnet), one-on-one customer engagement and support services, regular email communications, and participation in meetings with

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stakeholders nationwide. These outreach activities have raised awareness and understanding about the launch of OTCnet and prepared FPAs and FIs to use the new system. FMS has also actively sought stakeholder input at all stages of OTCnet development. FPAs across the federal government and the FIs who serve them have been highly involved in providing feedback on various aspects of system functionality through on-hands demonstrations and system tests. FMS has conducted four testing sessions of OTCnet and held three focus groups to identify user needs and concerns. The insights and feedback provided in these sessions has been incorporated into OTCnet development, ensuring a system that reflects the needs and requirements of FMS's primary stakeholders – its customers.

Support for OTCnet Users

FMS works closely with all users to ensure that their experience learning the new OTCnet system is smooth and successful. An easily navigated WBT is available to FPAs and FIs at any time (https://qa-train.otcnet.fms.treas.gov/training/index.html). Using the WBT, users can take the training for the first time or use it for refresher courses, as needed. The WBT will allow users to train on OTCnet when it is convenient, to provide new staff with training, and to re-take modules as needed.

In addition, step-by-step set-up procedures are provided to every new user, and the OTCnet Team is on hand to respond to individual questions or inquiries. Paper-based reference materials, such as participant user guides and job aids, are available to supplement the WBT. OTCnet currently features online help for Deposit Processing and Check Capture online.

The Path Forward

OTCnet will be available to FMS customers around the globe, where Check Capture Check Processing is deployed within 68 FPAs at 3000 locations; and Deposit Reporting supports 61 FPAs at more than 1200 locations. Throughout 2011 and 2012, FMS has planned several stages to bring FPAs and FIs onboard to OTCnet. On March 19, 2011, all existing TGAnet agencies and financial institutions converted to the OTCnet deposit reporting in an automated one-time conversion. In May 2011 and continuing through December 2012, PCC OTC agency users will be converted in several phases to the check capture functionality of OTCnet. From May 2011 through December 2012, all FPAs making paper SF215 deposit tickets will convert to OTCnet.

As OTCnet is now operational, the OTCnet Team will be contacting FPAs and FIs in 2011 to schedule their specific conversion.

OTCnet Contact Information

The input and support of FPAs and FIs is vital for the success of OTCnet. To contact FMS with questions or comments about OTCnet, please email the OTCnet Team at FMS.OTCinformation@citi.com.

To learn more about OTCnet, please visit www.fms.treas.gov/OTCnet.

Stakeholder Engagement—the Cornerstone of OTCnet's Development

To ensure the success of OTCnet, FMS has sought regular feedback from its primary stakeholders – its customers. Input from agencies and financial institutions, the actual users of OTCnet, has been a critical component of the development and testing of the new system.

FMS has conducted four live testing sessions of OTCnet, held three focus groups to identify user needs and concerns, and hosted the Pilot launch of the system. FMS acknowledges the valued input of the following stakeholders for their role in providing feedback and participating in testing on OTCnet:

User Accepted Testing (UAT) Participants

- **U.S. Department of Defense**
  - U.S. Air Force
  - U.S. Army
  - Defense Finance and Accounting Service (DFAS)
- **U.S. Department of Homeland Security**
  - U.S. Customs and Border Protection (CBP)
- **U.S. Department of State**
- **U.S. Department of the Treasury**
  - Bureau of Public Debt (BPD)
  - Internal Revenue Service (IRS)

Focus Group Participants

- **U.S. Department of Agriculture**
  - U.S. Forest Service
- **U.S. Department of Defense**
  - Army and Air Force Exchange Service (AAFES)
  - U.S. Air Force
  - U.S. Army
  - Defense Finance and Accounting Service (DFAS)
  - U.S. Navy
  - U.S. Marine Corps
- **U.S. Department of Homeland Security**
  - U.S. Citizenship and Immigration Services (CIS)
  - U.S. Customs and Border Protection (CBP)
- **U.S. Department of Interior**
  - U.S. National Park Service (NPS)
- **U.S. Department of State**
- **U.S. Department of the Treasury**
  - Bureau of Public Debt (BPD)
  - Internal Revenue Service (IRS)

Pilot Participants

- **Library of Congress**
- **U.S. Department of Defense**
  - U.S. Air Force
  - U.S. Army
  - Defense Finance and Accounting Service (DFAS) - Cleveland
- **U.S. Department of Education**
- **U.S. Department of Interior**
  - U.S. Fish and Wildlife
- **U.S. Department of the Treasury**
  - Bureau of Public Debt (BPD)
- **Citibank**
- **PNC**
- **United Bank**
- **Wells Fargo (Salt Lake City)**

Treasury Retires Paper Check for New Recipients of Federal Benefits

The U.S. Department of the Treasury is retiring the paper Social Security check for millions of baby boomers and others applying for federal benefits, a move that will save taxpayers $1 billion over the next 10 years. Beginning May 1, 2011, anyone newly applying for Social Security, Veterans Affairs or other federal benefits will need to choose an electronic payment method – paper checks will no longer be an option. People currently receiving their federal benefits by paper check must switch to direct deposit by March 1, 2013.

Treasurer of the United States Rosie Rios highlights savings at a ceremonial check-signing, ahead of the May 1 deadline on April 26, 2011, in Washington, D.C.

Treasurer of the United States Rosie Rios highlighted the savings to taxpayers by ceremonially writing a check to American taxpayers in the amount of $1 billion. "More than 18 million baby boomers are expected to reach retirement age during the next five years, with 10,000 people a day becoming eligible for Social Security benefits," said Treasurer Rios. "It costs 92 cents more to issue a payment by paper check than by direct deposit. We are retiring the Social Security paper check option in favor of electronic payments because it is the right thing to do for benefit recipients and American taxpayers alike."

The Treasury Department published a final rule in December 2010, to gradually eliminate paper checks for federal benefit payments. In addition to the taxpayer savings, electronic payments are safer and more convenient than paper checks. FC

USCIS Lockbox to Consolidate Over $2 Billion Annually

By Sarah Twardy, General Revenue Collection Division

The General Lockbox Network (GLN) assists many Federal Program Agencies (FPAs) with a wide variety of collections. From passport fees to student loans to parking tickets, the General Revenue Collection Division (GRC) manages an eclectic variety of cash flows, and now immigration fees can be added to that list. FMS recently completed a three-year effort with the United States Citizenship and Immigration Services (USCIS) and JP Morgan Chase (JPMC) to consolidate USCIS cash flows. With the last phase of the project now completed, the USCIS Lockbox will process over 6.5 million applications, including more than 55 different forms, and collect more than $2 billion in payments annually. The project underwent five phases and is on schedule for completion.

The USCIS revenue collection process is extremely complex due to the many business rules surrounding when a payment may be accepted. The business rules vary depending upon the type of application form filed by the applicant.

The sites are located in Chicago, IL; Dallas, TX; Phoenix, AZ; and Burlington, VT (data entry only).

Consolidating all revenue collections provides USCIS with the following benefits:

- centralizes and expedites applications and fee collection intake;
- improves efficiencies to minimize operational costs;
- provides a secure environment for fee collections, resulting in improved financial controls;
- enables flexibility in addressing issues related to unanticipated surges in volume; and
- meets the 24-hour deposit requirement on all benefits applications processed.

The majority of the workload at the USCIS Lockboxes is highly specialized and paper-intensive. The JPMC staff at the Chicago, Dallas and Phoenix facilities receive, open/extract, and sort the mail, perform document prep, scan all documents received (including all identity documents and the form of payment), perform data entry and verification of both the application and payment, which includes applying any number of business rules from the 7,000 total, transmit the data to USCIS back-end systems, assemble application packages in the specified order, deposit and clear the payments, and finally ship the paper applications to USCIS Service Centers for adjudication.

The next change is to transition the USCIS Lockbox to Electronic Check Processing (ECP), and this is on schedule for completion this summer.

Completing the expansion program took an enormous amount of effort and collaboration between FMS, USCIS and JPMC. Meeting the original project schedule is truly a testament to FMS's commitment to improving agency collection processes while improving data quality and minimizing costs.

For more information about the USCIS Lockbox, please contact Nadir Isfahani at 202-874-0275.

PCAs Prove to be Valuable Tool for DMS' Cross-Servicing Program

By Ann Pavelek, Debt Services Division

The mission of Debt Management Services (DMS) is to collect delinquent federal and state debt, but DMS also assists Federal Program Agencies (FPAs) in resolving delinquent debt, which is highly valuable to FPAs. The goal of a debt collector is to contact the individual or business and obtain payment for the entire amount of the debt; however, the collector often finds that an individual or business is unable to pay the debt because of other circumstances. When a collector finds that an individual is deceased or bankrupt, DMS will recommend to the FPA that debt collection activity cease and the debt be written off. Similarly, if a business is bankrupt or out of business, DMS will recommend that debt collection activity cease and the debt be written off.

In DMS' Cross-Servicing program, debts can be recommended for resolution through either internal collection efforts by DMS or by the efforts of private collection agencies (PCAs). DMS contracts with PCAs in order to aid in the collection and resolution of delinquent federal, non-tax debt. Whether a debtor is bankrupt, deceased, or out of business is often found through an electronic search, but can also be found by direct contact with the individual, business, or another responsible party. In 2010, the PCAs resolved more than 18,000 debts, valued at $1.12 billion. This represents the highest number and value of debts resolved in a Fiscal Year in the history of DMS' PCA contract. The ability to collect or resolve debts relies heavily on the composition of DMS' debt portfolio. DMS received a large number of referrals in FY2010 from the U.S. Small Business Administration (SBA), and was excited about the collection possibilities. Although the portfolio yielded a higher percentage of resolutions, the portfolio also added to DMS' collection results. In DMS' Cross-Servicing program, more than $202 million was collected in FY2010.

Along with setting records for the resolution of debts in FY2010, the PCAs also serviced the highest value of referrals over the life of the project. The PCAs serviced $6.98 billion in delinquent, federal non-tax debt during the year. Although 16% of the value of the portfolio ended up being resolved, the PCAs collected more than $77 million, which is the second highest Fiscal Year collection total.

The current PCA contract, in place since March 2007, has been beneficial to DMS' mission. In 2010, DMS began reviewing the Statement of Work and associated contract documents for PCA services. DMS is currently preparing the documentation needed for this procurement effort and expects to have a new contract in place by March 2012. Several small changes are expected in the contract, which will help DMS improve this already effective collection tool.

Whether collecting or resolving debt, the PCAs have been a valuable tool in DMS' debt collection process since 1997. Over the life of the project, the PCAs have collected $657 million and resolved $3.7 billion through the end of FY2010. DMS expects to continue utilizing this effective collection and resolution tool. For additional information regarding FMS's PCA contract, please contact Jennifer Plant, Contracting Officer's Technical Representative (COTR) at (202) 874-8384.

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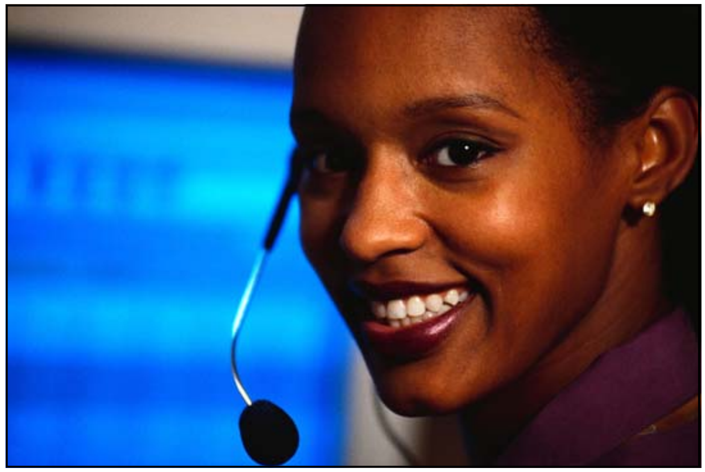
www.fms.treas.gov/debt/training_legal_forum_2011.html

"*Who Took My Money?*" DMS' TOP Call Center Receives 4.4M Calls

By Scott Spell, Debt Management Operations Center East

The Financial Management Service created the Treasury Offset Program (TOP) in response to provisions of the Debt Collection Improvement Act of 1996. TOP utilizes the FMS centralized disbursement process by matching a database of delinquent debts owed to various federal and state agencies against outgoing government payments. When TOP matches a delinquent debtor record to a payment being issued, the payment is reduced by the amount applied to the debt. Each time a payment is offset to help satisfy a debt, the payee receives an offset notice from FMS providing information about the offset, along with the creditor agency address and phone number(s). For the past eleven years, each offset notice also includes the toll-free TOP Call Center number.

The TOP Call Center responds to inquiries from the public and from agencies concerning federal payments that have been offset or are active in TOP. The traditional questions received are "What is an offset?", "Will I be offset?", and "Who took my money?" The TOP Call Center staff is trained to provide each caller with accurate information as efficiently as possible. Most callers obtain the answers to their questions by using the Interactive Voice Response (IVR) system. The IVR system is available around-the-clock to provide answers to many of their offset questions. The popularity of self service using the IVR has increased every year since its implementation in December 2000. The TOP Call Center received approximately 4.4 million calls in 2010, with ninety-two percent of those callers receiving information using the IVR.



The Treasury Offset Call Center may be reached at 1-800-304-3107. Agents are available weekdays (other than federal holidays) from 7:30 a.m. to 5:00 p.m. Central Time.

Administrative Wage Garnishment Has Record Year—Doubles Collections

By Debbie Davenport, Debt Services Division

The Department of the Treasury, Financial Management Service (FMS), through its Cross-Servicing Program, can assist Federal Program Agencies (FPAs) in collecting delinquent debt by Administrative Wage Garnishment (AWG).

As authorized by the Debt Collection Improvement Act of 1996 (DCIA) (codified at 31 U.S.C. § 3720D), AWG allows FPAs to garnish up to 15 percent of disposable pay of delinquent debtors who do not work for the federal government. It also allows debtors the option to pay their debts rather than be garnished by the Department of the Treasury—a good negotiating tool for agencies.

FPAs that choose to use the AWG program must request their cross-servicing agency profiles be updated to participate in AWG. Before modifying their profiles, FPAs must either adopt Treasury rules regarding hearing procedures, or they may prescribe their own regulations for the conduct of AWG hearings consistent with Treasury rules pursuant to 31 C.F.R. § 285.11(f).

AWG programs now have 25 participating FPAs. AWG collections increased from $7.99 million in FY2009 to $16.89 million in FY2010. The use of the Department of Health and Human Service's National Directory for New Hires, to locate employer information for delinquent debtors, and the increased participation of FPAs resulted in the largest collection year since AWG implementation. This does not include payment agreements resulting from AWG notice letters.

Debt Management Services (DMS) also has a pilot to conduct AWG hardship hearings for a select group of FPAs. Conducting hardship hearings on behalf of FPAs reduces the hearing workload for participating FPAs. DMS is now offering this service to additional FPAs.

DMS is committed to assisting FPAs with AWG implementation to ensure government-wide participation. Treasury's rules governing AWG may be found on the FMS website at: www.fms.treas.gov/debt/awg/html.

To request a meeting to discuss participation in AWG, please contact Debbie Davenport at 202-874-6653.

DMS Forms New AAC to Collaborate with Federal Program Agencies

By Pamela Jordan, Agency Liaison Division

At the end of last year, Debt Management Services hosted an inaugural meeting of the DMS Agency Advisory Council (AAC). This meeting served as a "get-acquainted" session designed to outline the purpose and mission of the Council and to get input from key Federal Program Agency (FPA) debt collection officials on FMS-sponsored initiatives, along with recommendations for implementation.

The AAC was formed to ensure that FPA concerns and interests are considered as Treasury implements new debt collection proposals and initiatives that it believes will lead to greater efficiency in the government debt collection program and to a corresponding increase in collections of federal delinquent debt.

FPA representatives were encouraged to consider the operational implications of the proposals and initiatives when advising Treasury of the potential impact on FPA debt collection operations.

FPAs were represented by participants from the National Aeronautics and Space Administration, the Department of Education, the Department of Health and Human Services, the Department of Housing and Urban Development, the Small Business Administration, the National Science Foundation, the Department of Veterans Affairs, the Department of Transportation, and the Department of Agriculture.

Topics of discussion at the inaugural meeting were:

- a newly created Agency Debt Collection Performance Scorecard of delinquent debts to Treasury;
- a proposal to mandate referral of debts to Treasury at 90 days rather than 180;
- a proposed new Treasury Financial Manual (TFM) Chapter outlining agency debt collection responsibilities.

Scorecard

The Scorecard was developed by Treasury as a performance and relationship management tool to track and assess FPAs' and Treasury's compliance with the Debt Collection Improvement Act of 1996 (DCIA) and sound debt collection practices in fulfillment of the Administration's and Treasury's strategic goals of transparency and accountability. Some of the metrics proposed for inclusion on the Scorecard are:

- timeliness and frequency of referrals;
- quality of debt (legally enforceable, valid, correct debt balance);
- completeness of debt documentation when submitted to FMS;
- validity of exemptions and eligibility for referral;
- utilization of debt collection tools; and
- Treasury Report on Receivables and debt collection activities reporting accuracy and timeliness

AAC members focused on making suggestions related to the Scorecard. DMS is currently revising the Scorecard based on those discussions with plans to present the revised version to the Council soon.

90-Day Debt Referral

The DCIA requires FPAs to refer past due, legally enforceable nontax debt that is more than 180 days delinquent to FMS for collection. Treasury analysis has shown that sending debts earlier than 180 days increases the likelihood of collectability by 25%.

Council members have raised several issues concerning implementation of the proposal: the possible decline in the quality of debts referred to Treasury, possible increases in disputes and recalls, the FPAs' inability to pursue the debt in-house, and practical difficulties revolving around due process. Further discussion and input from the Council is planned.

New Treasury Financial Manual (TFM)

DMS is also in the process of creating a new chapter in the TFM that will codify many of the FPA responsibilities outlined in individual Letters of Agreement between Treasury and debt-referring FPAs to give Treasury more flexibility in collecting debts on behalf of FPAs. Areas of consideration in the proposed new chapter include:

- fees
- compromise authority
- repayment agreements
- certification
- time limits on approvals
- requirement for sufficient documentation with referred debts

The Council is currently reviewing the draft TFM chapter and will provide detailed input to Treasury on the issues surrounding its issuance.

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Treasury looks forward to the continued collaborative efforts with the participating agencies and sees this process as an iterative one in which there will be numerous opportunities to discuss and comment on issues related to debt collection.

For additional information regarding the AAC, please contact Terrence Prince at 202-874-9051 or Pamela Jordan at 202-874-7143.

DMS Contact Directory

Administrative Wage Garnishment
202-874-8700

Agency Cross-Servicing Policy
800-874-8700
Federal Program Agency Inquiries
800-858-0725

Cross-Servicing Debt Exemptions
202-874-6600

Debt Collection Agency Training & Education
202-874-8580

Debt Collection Center Designation
202-874-6600

Debt Collection Performance
202-874-8580

Debt Management Agency Facilitation
202-874-8580

Debt Write-Off
202-874-6600

Debtor Inquiries
800-304-3107
888-826-3127

FedDebt
800-858-0725

Treasury Offset Program (TOP)
202-874-0540

TOP Call Center
800-304-3107

TOP Payment Exemptions
202-874-0540

FMS Repurposes the Austin Financial Center

By Patsy Nieto and Wally Ingram, Austin Financial Center

Change is everywhere at the Financial Management Service these days but nowhere is it as evident as at the Austin Financial Center (AFC). After 40 years of service as a Regional Financial Center (RFC) disbursing federal payments, AFC is transitioning to a Debt Collection Center.

As the AFC was preparing to become a backup Call Center to the Debt Management Services Operations Center in Birmingham, FMS contracted with consultants to study DMS requirements for the future. The results indicated that Debt Management Services (DMS) required additional call center capacity, including additional agents and collectors, to assist the Treasury Department in achieving its high priority objective to increase collection of delinquent debt.

Repurposing the AFC from a payment center to a debt collection center supports sound strategies to increase the collection of delinquent debt. This repurposing applies the maximum number of FMS resources toward the reduction of the tax and non-tax debt owed to the federal government, which have been growing at an unparalleled rate. At the same time, the continued decrease of check volumes, excess capacity within the Payment Management's configuration of four RFCs, and the acquisition of new check inserting technology, also support the repurposing of the AFC. This supports a major FMS objective: effectively and efficiently collect the increasing amount of delinquent debt. DMS completed a feasibility study and the results supported this objective.

The integration of Austin with DMS' business lines increases call capability and enhances in-bound customer service and outbound collection program support, which ultimately increases debt collection. The AFC employees are experienced in federal government interactions with the public and have the skills and resources needed to meet the growing portfolio of delinquent debt. The AFC's existing technical infrastructure, experience in handling and securing sensitive data, and agency relations also provide DMS with additional support.

The first order of business was to discuss and plan the destination of payment related work. The Directors from the RFCs in Austin, Kansas City, Philadelphia, and San Francisco met and developed a month-by-month Transition Plan, which will completed in July 2011. This plan provides for the transition from the payments business to the debt collection business, and includes scheduled training, on-the-job training and weekly status meetings.

Since the beginning of FY2011, the AFC has collaborated with DMS to educate, train, and support several Austin employees who have been incorporated into the DMS world. Austin is utilizing a phased-in approach as the payment and claims related work is distributed to other FMS RFCs. Construction of a state–of-the-art Call Center, utilizing the most recent design trend has been completed. Testing of the new telephone system will occur later in FY2011. Collaboration and cooperation between DMS, AFC, and the National Treasury Employees Union (NTEU) successfully resulted in a signed Memorandum of Understanding (MOU) between FMS and NTEU on March 18, 2011.

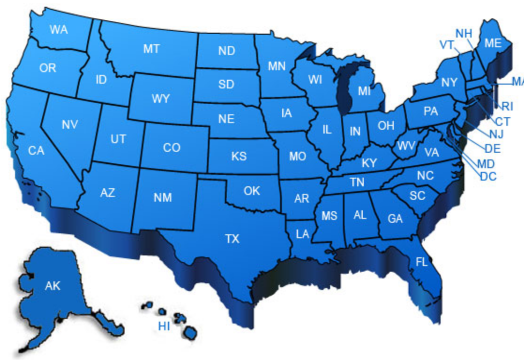
Austin's primary objective in the repurposing is to be fully operational as a Debt Collection Center by October 1, 2011, with employees trained, ready to work, and prepared for growth into new DMS functions.

First Four States Pass Legislation and Implement SRP

By Felipe Perdomo, Agency Liaison Division

The Debt Collection Improvement Act of 1996 (DCIA) contains a provision that allows the states to enter into a reciprocal agreement with Treasury to collect delinquent state debts by offsetting federal non-tax payments (administrative offset) and the federal government to collect delinquent non-tax debts by offsetting state payments (state payments offset). The states must pass legislation authorizing the offset of state payments to satisfy federal delinquent debts. In general, the reciprocal agreements must contain requirements substantially similar to the requirements for federal creditor agencies to collect delinquent debts by offset and any other requirements that the Secretary deems appropriate to facilitate offset. In 31 C.F.R.§ 285.6, FMS set forth the legal requirements for federal payment offsets under reciprocal agreements and also set the parameters for participation in state payment offsets.

In 2007, Debt Management Services (DMS) implemented the State Reciprocal Program (SRP) pilot, which resulted in increased collections at both the state and federal levels. The pilot proved to be such a success for both the states and the federal government that FMS moved forward with full implementation of the program in 2008. At this time, four states have fully implemented the program: Maryland, New Jersey, New



York, and Kentucky (as of January 20, 2011). The SPR has already proved to be a success for Kentucky, collecting more than $1.9 million in delinquent state debt in the first four days.

The success of the SRP program can be attributed to three important factors: an effective marketing campaign, the return on investment the states have experienced, and the increased revenue for the federal government and the states. DMS continues its aggressive effort to market the SRP and bring more states into the program. Louisiana, West Virginia, Wisconsin, and the District of Columbia have passed the necessary legislation to participate in the SRP and are currently formulating implementation plans. Additionally, DMS participated in the Federation of Tax Administrator's annual conference recently. At the conference, DMS presented the debt story as it pertains to the states, conducted an SRP Power Point presentation, and hosted a panel discussion with participants from the states that currently participate in the program. The panel's main topic of discussion was the individual state's experiences in implementing the State Reciprocal Program – in particular, the challenges, roadblocks, and developments they have faced and how they overcame them.

For additional information about the SRP, please contact Rose Free at 202-874-7538. FC

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Registration: 7:30 a.m.
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Register online by May 20, 2011 at

www.fms.treas.gov/debt/training_annualconf2011.html.

(Free of charge to all FPA participants.)

Questions? Contact Brian.Taylor@fms.treas.gov or Stephanie.Anderson@fms.treas.gov or call 202-874-8580.