

# **Collections and Cash Management Modernization (CCMM):**

**Changes to How FMS Collects Revenue and Reports Transactions**

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Kansas City Customer Advisory Board (CAB) meeting

February 23, 2010

# Agenda

- Introduction and Background
- As-Is
- To-Be
- Transition Plans and Issues
- Recent Accomplishments and Upcoming Milestones
- Questions and Answers

# Introduction

- Changes are underway that will impact how Federal agencies, agent and depository banks, and various FMS offices process deposits of public money and related activities
- The changes fall under the banner of Collections and Cash Management Modernization (CCMM)

# Three Recurring Themes

- FMS is re-organizing its collections systems and processes to streamline processes and eliminate *redundant* functionality
- 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 is changing how it performs reporting to improve the accuracy of information provided to agencies and meet Governmentwide Accounting requirements

# CCMM Defined

- Collections and Cash Management Modernization (CCMM) 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 the 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 technical architecture
- Re-architecting of functions and programs that have accumulated over decades

# Business Scope

- CCMM addresses programs and functions within FMS's Federal Finance (FF) Assistant Commissioner area, which has three main responsibilities
  - Collect the revenue (from the public)
  - Assist Treasury in its forecasting duties
  - Invest excess operating balances
- Meeting these responsibilities entails 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 help run these programs

# Business Scope

- CCMM does not address money coming in from the recovery of delinquent debts
  - Debt collections are handled by our Debt Management Assistant Commissioner area
- CCMM does not address transfers of funds between agency offices
  - Intra-governmental payments and collections are handled by our Governmentwide Accounting (GWA) Assistant Commissioner area
- CCMM does not address money going out
  - Disbursements are handled by our Payment Management Assistant Commissioner area
- CCMM helps to address FMS's larger accounting efforts
  - Governmentwide Accounting is handled by GWA
  - The Transaction Reporting System (TRS) in particular supports GWA efforts, as discussed later

# 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:
  - Seven specially designated FRBs
    - Atlanta, Boston, Cleveland, Minneapolis, Philadelphia, Richmond, and St. Louis
  - 14 commercial financial institutions
  - 112 TGA depositories
  - Thousands of TT&L depositories, especially collector and retainer banks
- Numbers are declining and this trend will continue

# Statistics Showing Business Scope

- \$3 trillion in annual gross revenue collections
- 400 million revenue transactions
- Hundreds of agency office customers
- 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

# 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 many instances, FMS collection programs deal directly with the public, not just agencies. When this is the case, they often handle agency program information, in addition to financial information.

# Reasons for CCMM

- CCMM was initiated to plan the collections and cash management business architecture and ensure that we implement programs for the long run
- Historically, we did not have an overall plan, leading to some inefficiencies

# Benefits

- Save money
  - Current operations are highly effective, but not efficient
  - Duplication of data, applications, products, interfaces, and technologies
    - ACH debit example: 8 programs, 10 banks
    - Agency reconciliation issues
  - Potential for costly dependencies on particular banks
    - Not only higher cost, but potential for poorer service if there is an absence of a competitive environment
- Mitigate risk
  - Complexity of the As-Is model and systems architecture is a growing operational risk to the Government
    - As-Is model lacks economies of scale
- Improve services
  - We need to stop spreading ourselves thin; for a given business line, instead of providing good service through multiple programs, we need to provide great service through one program

# Objectives

- To obtain the benefits previously described, CCMM has three objectives:
  - Simplify the architecture without sacrificing functionality
  - Centralize and standardize the accounting and forecasting information provided to agencies and other Treasury systems
  - Promote and expand the use of electronic collection of receipts

# Notional Diagram

## Showing Straight-Through Processing

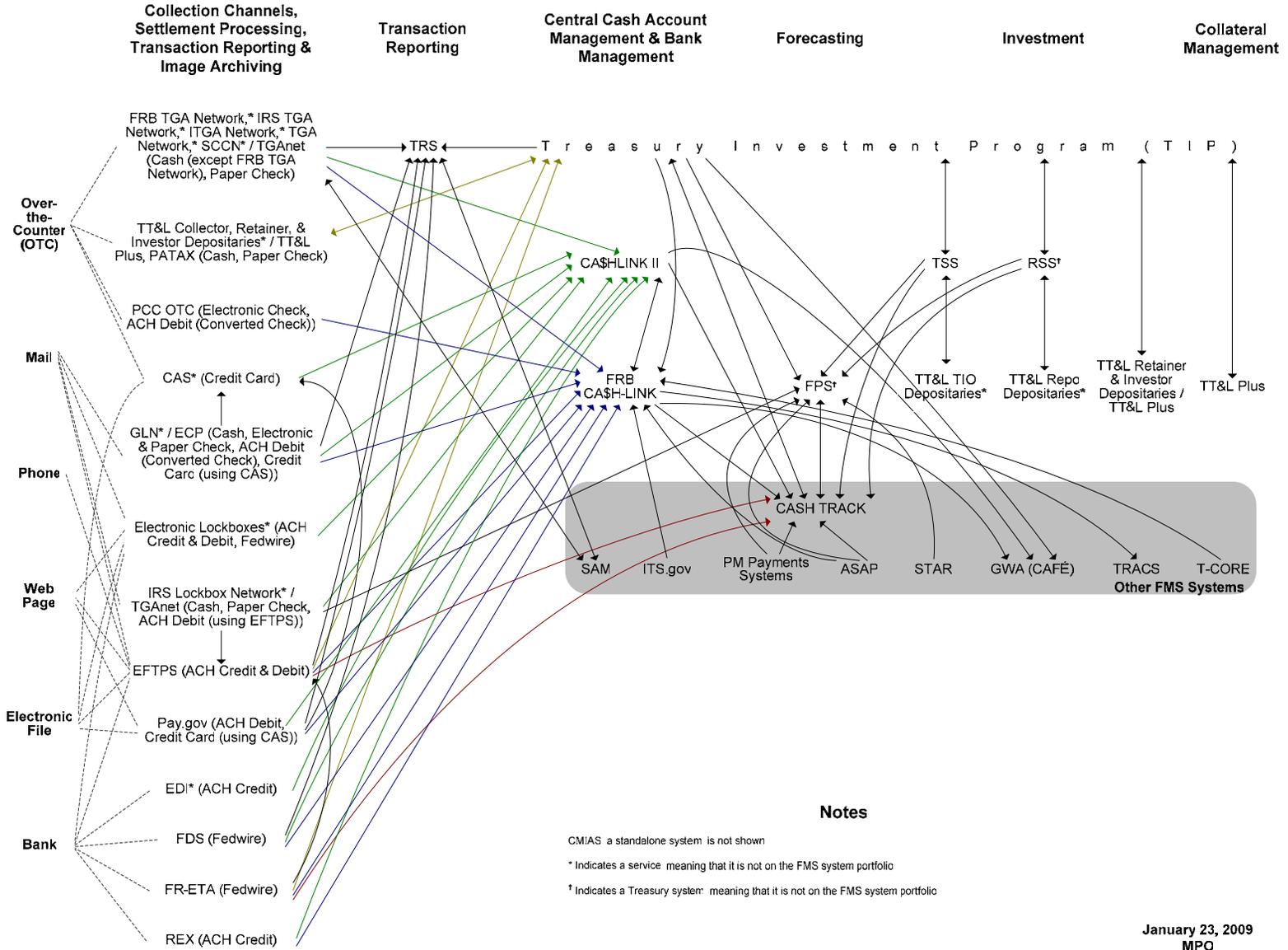
**Collect** → **Report** → **Centralize** → **Forecast** → **Invest**

<b>Collection Channels</b>	<b>Settlement Mechanisms</b>
OTC	Card
Mail	Check
Phone	ACH Debit
Internet	ACH Credit
“Bank”	Wire

# Business Lines

- OTC 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 Processing – 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"



# Collection Channels (As-Is)

- A channel is the medium through which FMS first acquires a transaction
  - The channel refers to how FMS receives a transaction, not how the agency receives it
    - If an agency receives a call from the member of the public and the agency enters that information on an FMS web page, the channel is not “phone,” but “Internet”
- There historically has been no notion of “channels” or channel management, only “collection systems.” This has resulted in:
  - Duplication of functions
    - Each channel is served by at least two major programs
  - Collection systems performing multiple functions
    - Acquire transactions, settlement, reporting, archiving

# Settlement Processing (As-Is)

- Settlement processing refers to the means by which transactions are settled
  - Specific settlement mechanisms include cash, credit card, check, ACH debits, ACH credits, wire
- There historically has been little notion of having programs that handled settlement exclusively; instead, we've had multi-function "collection systems." This has resulted in:
  - Duplication of functions
    - In recent years, ACH debits have been performed by as many eight programs and ten banks
    - Similar problems with ACH credits and Fedwires
  - Collection systems performing multiple functions
    - Acquire transactions, settlement, reporting, archiving

# Transaction Reporting & Image Archiving (As-Is)

- Reporting is needed to provide information to agencies about collection transactions
  - Financial details & program details
  - (Individual) transactions & (summary) deposit reports
  - Data & archived images
- There historically has been no notion of a centralized reporting service, only “collection systems.” This has resulted in:
  - Duplication of functions
    - 20+ programs providing transaction details
    - Deposit reports separately provided CASHLINK II
    - ECP, PCC OTC, various lockboxes perform image archiving
  - Collection systems perform multiple functions
    - Acquire transactions, settlement, reporting, image archiving
- Multiple problems arise from the current approach
  - Reconciliation headaches for agencies
  - Difficult to replace banks
    - No standardization of file formats
    - Many hard-coded point-to-point connections

# Central Cash Account Management (As-Is)

- Processing is needed to move funds from the many banks that collect revenue to the central account that Treasury uses for its daily financing needs, the Treasury General Account (TGA) at the FRB NY
- Processing also is needed to move funds out of this central account when payments or investments are made
- Summary deposit reporting needs to be provided to agencies and “transcript” reporting needs to go to FMS’s Governmentwide Accounting area
- Many intermediary accounts
  - Demand deposit accounts at commercial banks
  - Control accounts at Federal Reserve Banks
- Three systems
  - Commercial banks—(PNC) CA\$HLINK II
  - FRBs—FRB CA\$H-LINK
  - Tax deposits from commercial banks—TIP
    - Concentrates paper FTD tax collections from TT&L depositories (commercial banks) to FRB St. Louis, before invoking FRB CA\$H-LINK for FRB concentration

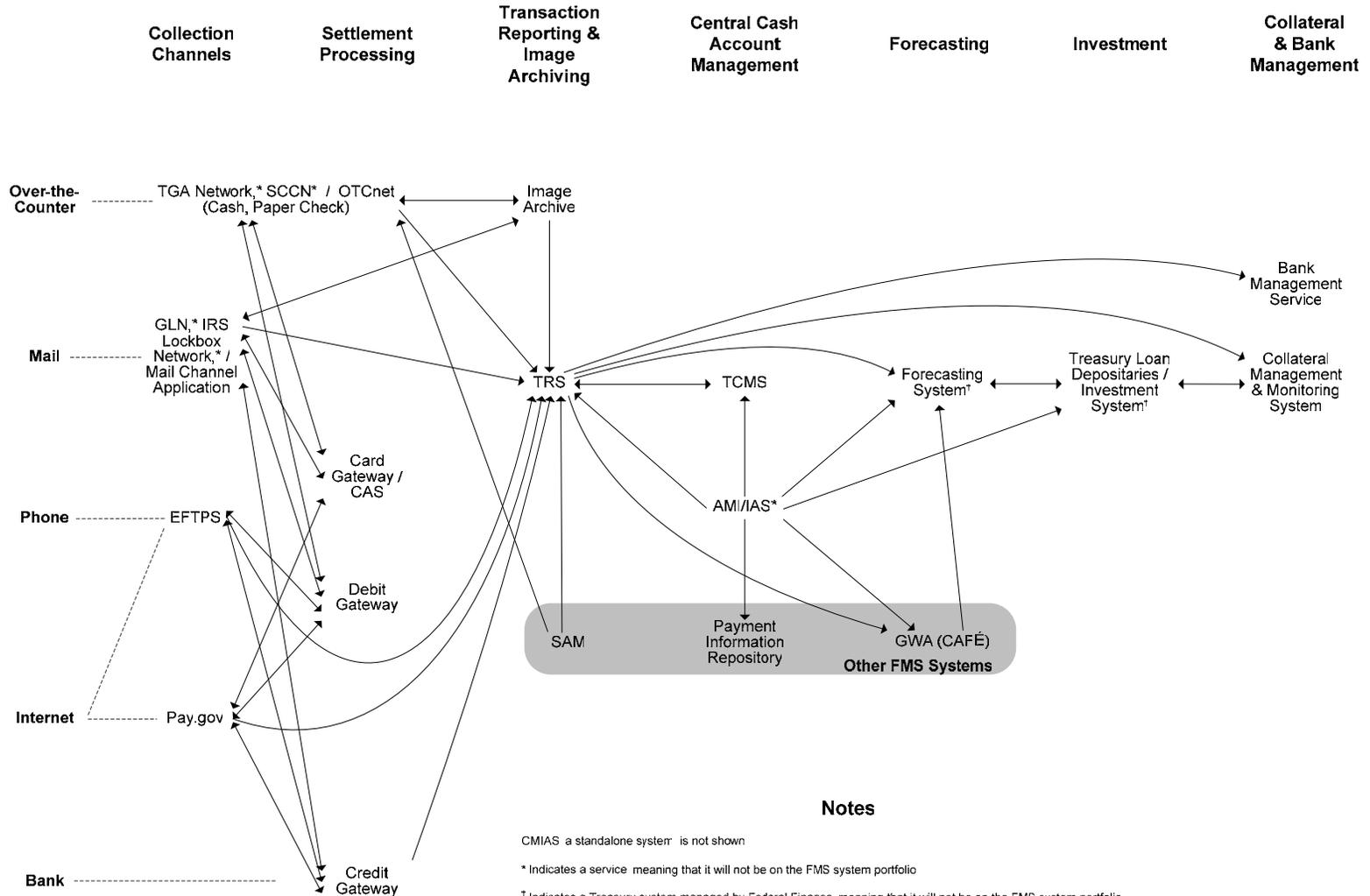
# Central Cash Account Management (As-Is)

- These systems serve other business lines as well
  - (PNC) CA\$HLINK II
    - Bank Management (commercial bank controls and compensation)
    - ACH credit collections through Remittance Express (for non-tax ACH credits)
    - Fedwire collections through the Fedwire Deposit System (FDS) (for non-tax wire collections)
  - TIP
    - Forecasting (through its so-called dynamic accumulator)
    - Investments
    - Collateral monitoring
- Systems use different methods for transferring funds, leading to variations in funds availability
  - CA\$HLINK II—ACH debits and Fedwires
  - FRB CA\$HLINK and TIP—Integrated Accounting System (IAS)
- Summary deposit and transcript reporting (“bank” view) currently is separate from transaction reporting (“book” view)
  - Reconciliation headaches for agencies
  - GWA historically has received only the “bank” view from FMS’s systems, requiring agencies to report “book” view
    - Agencies provide Statement of Transactions (“book” view), then FMS provides the Statement of Differences (“bank” view)
    - But FMS already has both views! (For the most part)

# Collateral & Bank Management (As-Is)

- Bank management (compensating banks) and collateral management (to secure our collections and investments) is needed because of our use of depositaries and agents
- Bank management is part of CA\$HLINK II
- Collateral monitoring and management is part of TIP
  - 31 CFR 202 (Depositaries)
  - 31 CFR 203 (Investments)
  - 31 CFR 225 (Sureties)
- These business lines should be served by dedicated programs

# Collections & Cash Management Modernization: “To Be”



## Notes

CMIAS a standalone system is not shown

\* Indicates a service meaning that it will not be on the FMS system portfolio

† Indicates a Treasury system managed by Federal Finance meaning that it will not be on the FMS system portfolio

The diagram does not show that card terminals will communicate directly (not thru the OTC Channel Applicator) with the Credit Card Gateway for authorizations

January 23, 2009  
MPO

# 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 Channel
  - Consolidate TGAnet and PCC OTC into new OTCnet
  - Eliminate use of paper-based deposit tickets
    - Agencies that do not use these systems listed above should contact FMS to begin using these systems
  - Fewer banks but more bank branches
  - Eliminate PATAX and over-the-counter processing of Federal Tax Deposit coupons
- Mail Channel
  - ECP becomes the Mail Channel Application
  - Continue to look for opportunities to make greater use of scanning and OCR
- Internet Channel
  - Pay.gov and EFTPS remain
  - Pre-Authorized Debit program, RRBLink, FEDTAX II, Electronic Lockboxes (debits) absorbed into Pay.gov and EFTPS
- Phone Channel—Limited to EFTPS

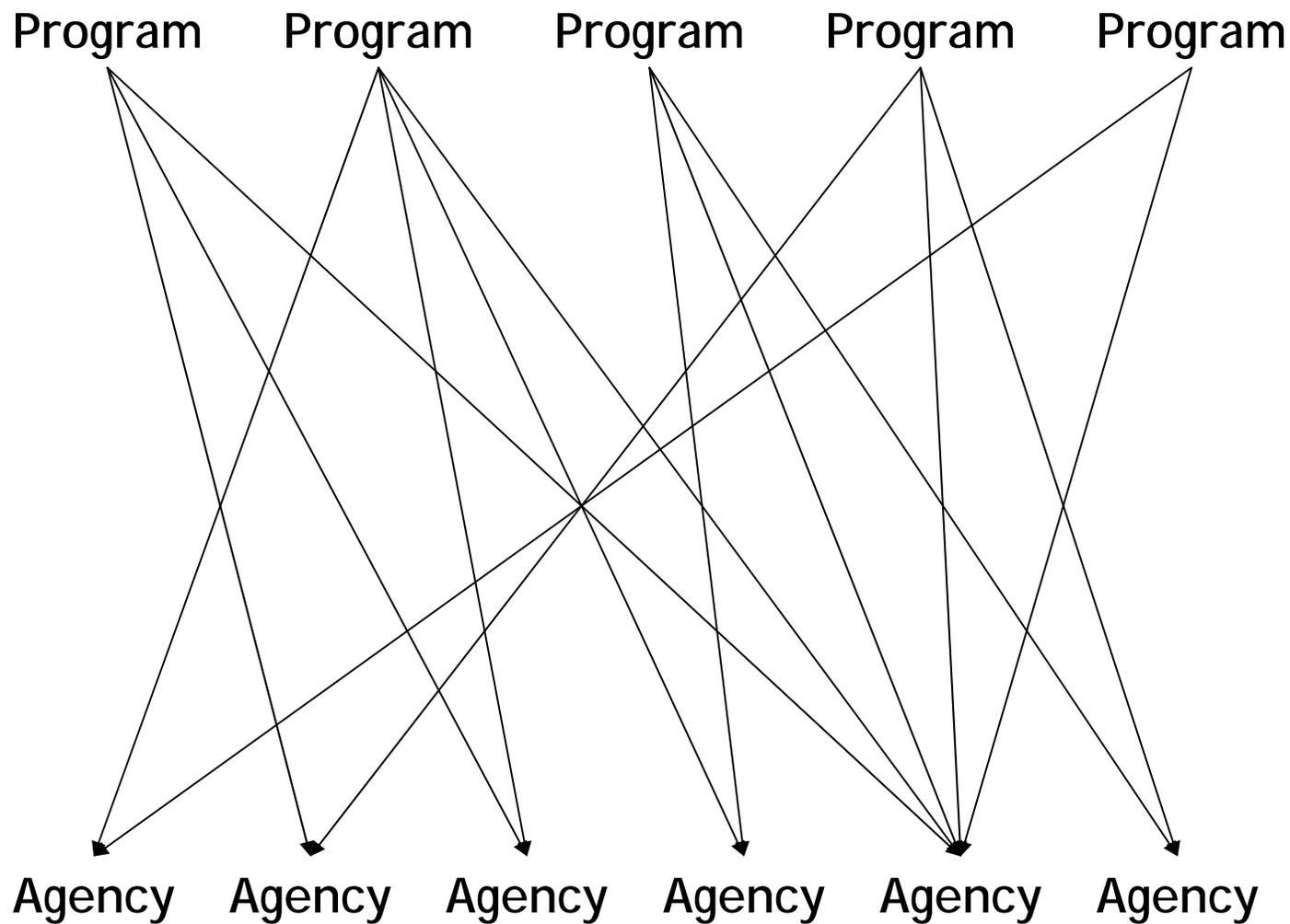
# Settlement Processing (To-Be)

- 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
- Credit Gateway replaces FR-ETA, FDS, REX, Electronic Lockboxes (credits)
  - Many routing numbers from expiring systems can continue to be used
  - Transactions will be reported through both TRS and CA\$HLINK II

# 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)**

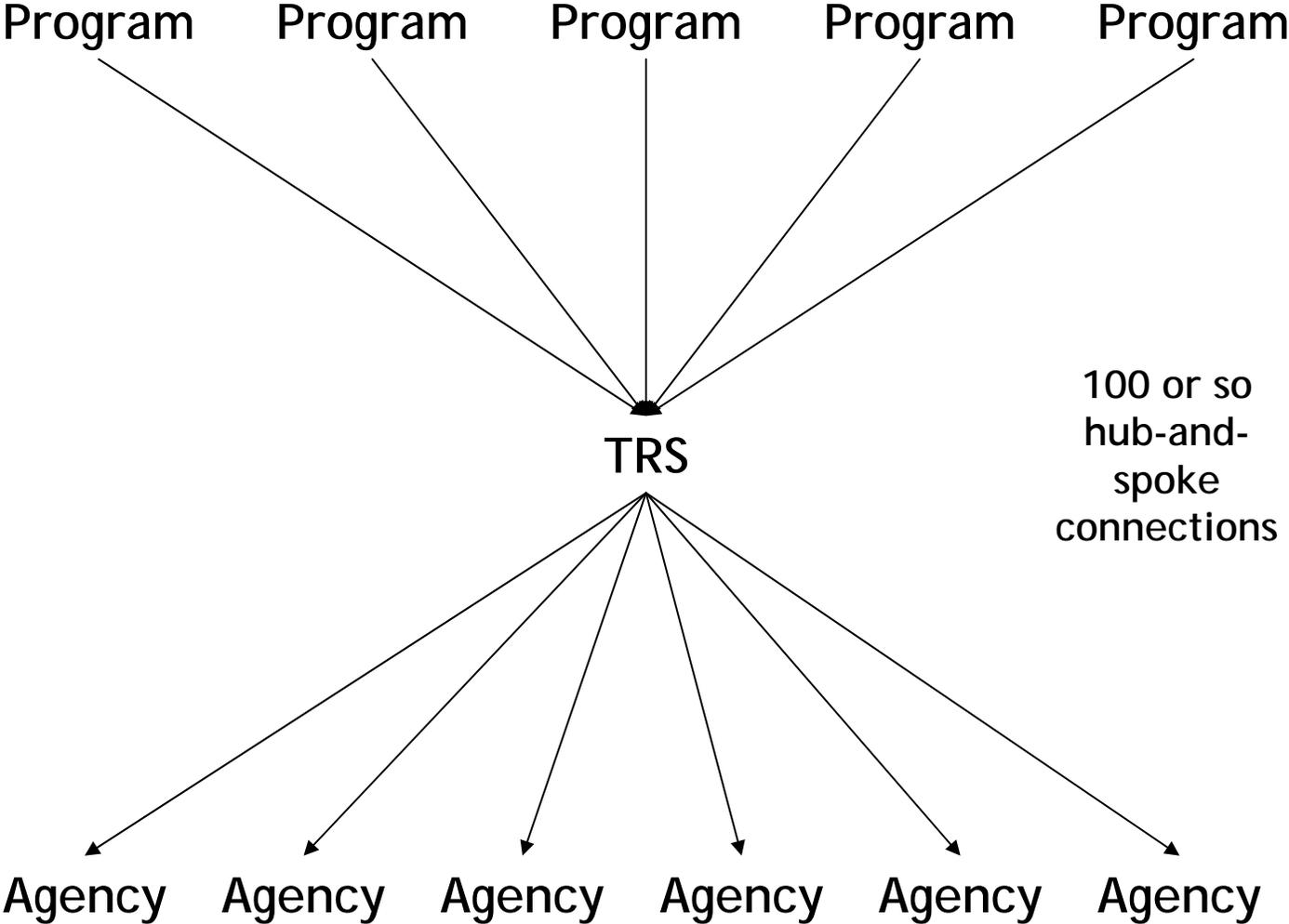


(About two dozen collection programs, some run by multiple banks)

Several hundred point-to-point connections

(About 175 agency offices)

(To-Be)



100 or so  
hub-and-  
spoke  
connections

# Transaction Reporting & Image Archiving (To-Be)

- Use of published, open standard XML schema 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](https://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

# Transaction Reporting & Image Archiving (To-Be)

- TRS also will facilitate a new, simplified GWA accounting process
  - TRS (not agencies) provides “book” view of collections to GWA; CA\$HLINK II (and its successor) provides the “bank” view to GWA
  - Once these and other GWA changes are made, agencies eventually no longer will have to worry about Statement of Transactions and Statement of Differences
  - In other words, TRS supports the objectives of:
    - Allowing agencies to become GWA reporters
    - Eliminating the need for agencies to submit SF-224’s via GOALS II
    - Giving agencies the opportunity to use the Partial 224
    - Enabling agencies to use the GWA Account Statement

# 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”
  - Help eliminate 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, CAS

GLN - Paper Lockboxes / ECP

GLN - Electronic Lockboxes

IRS Lockbox Network / TGAnet

EFTPS

RRBLink

FEDTAX II

PAD

Pay.gov

EDI

FDS

FR-ETA

REX

## After

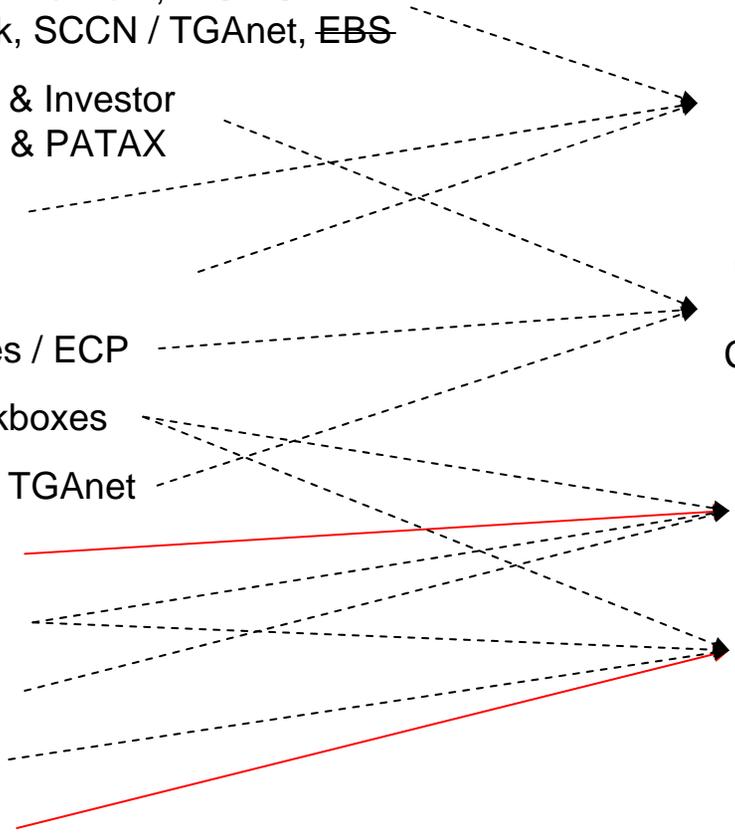
TGA, SCCN,  
OTCnet

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, CAS 
- GLN - Paper Lockboxes / ECP 
- GLN - Electronic Lockboxes 
- IRS Lockbox Network / TGAnet 
- EFTPS 
- RRBLink 
- FEDTAX II
- PAD 
- Pay.gov 
- EDI 
- FDS 
- FR-ETA 
- REX 

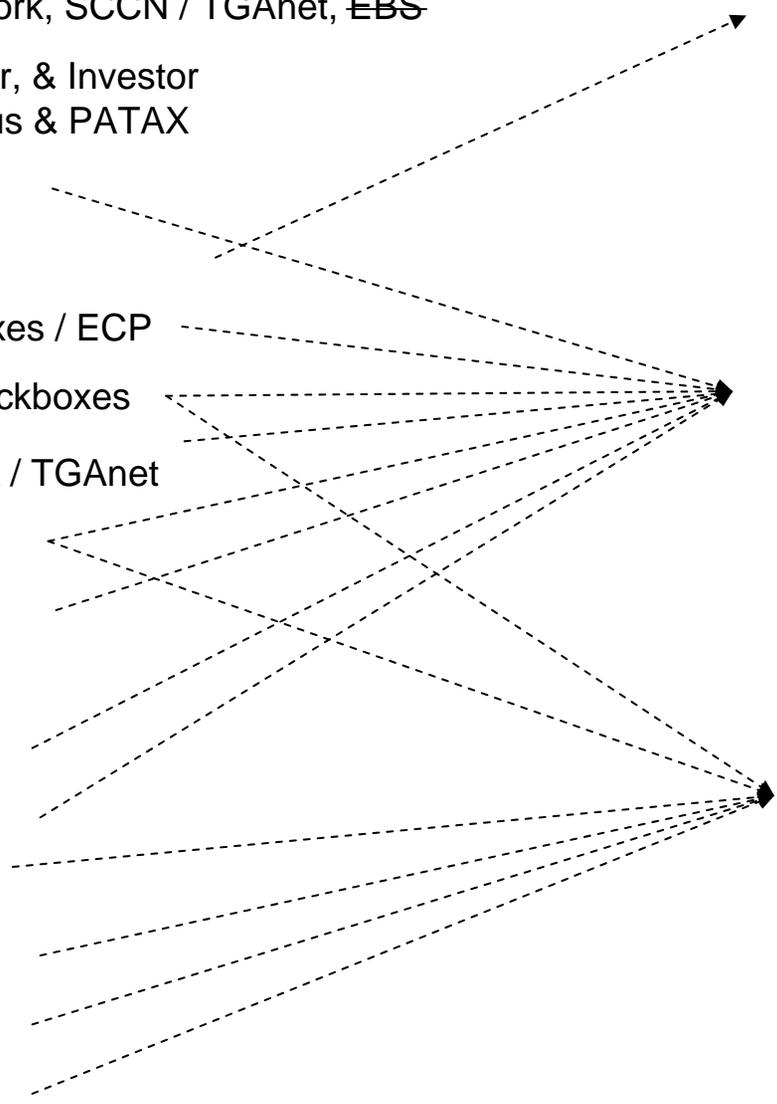
## After

Card Gateway & CAS 

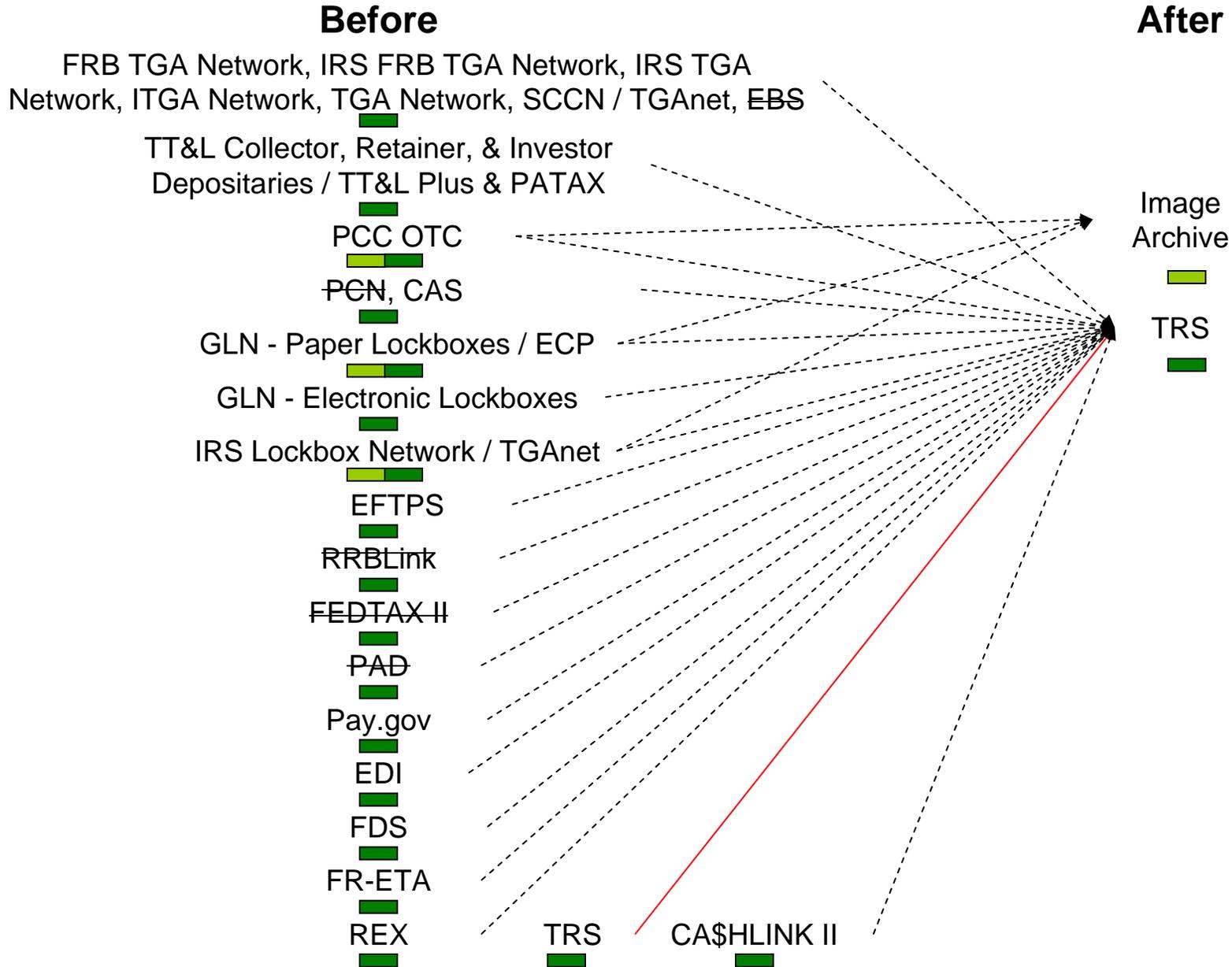
Debit Gateway 

Credit Gateway 

"Bank Channel"



# Transaction Reporting, Deposit Reporting & Image Archiving



# Enterprise Impact

## Remaining Systems

- EFTPS (but it will not perform settlement)
- Pay.gov (but it will not perform settlement)
- TRS
- CASH TRACK (but its forecasting functionality may be moved)
- ECP

## New Systems

- OTCnet
- Card Gateway (may be a service)
- Debit Gateway
- TCMS
- Forecasting System
- Investment System
- TCMM
- Image Archive (TWA) system)

There also will be new *services* (Credit Gateway, BMS, and potentially the Card Gateway)

## Expiring Systems

- EBS (done)
- RRBLink (done)
- TERMLink (done)
- FEDTAX II (done)
- PAD (done)
- REX (part of CA\$H-LINK II)
- FDS (part of CA\$H-LINK II)
- PATAX
- TGAnet
- TT&L Plus
- PCC-OTC
- FR-ETA
- CA\$HLINK II
- FRB CA\$H-LINK
- TIP
- FPS
- TSS
- RSS

# Major Accomplishments to Date

- Decommissioned (or otherwise stopped) several systems/services:
  - Electronic Banking System
  - RRBLink
  - TERMLink
  - Plastic Card Network
  - IRS FRB TGA Network
  - FEDTAX II
  - Pre-Authorized Debit program
- Separated restorations from CA\$HLINK II
- Eliminated non-value Fedwires in FR-ETA
- Transitioned E-Lockbox/DDIA tax functions to EFTPS
- Reduced FTD coupon volume in PATAX by over 30% (since start of FY 2006)
  - Volume declines are accelerating

# Major Accomplishments to Date

- Selected agents for all 13 business lines, including new agents for six business lines
  - OTC channel
  - Mail channel
  - Central account processing
  - Bank management
  - Collateral monitoring and management
  - Credit processing
- Completed governance process for five systems/services
  - OTCnet
  - Debit Gateway
  - Credit Gateway
  - TCMM
  - BMS

# Major Accomplishments to Date

- Multiple TRS accomplishments
  - Deployed TRS data warehouse & infrastructure
  - Connected:
    - PATAX
    - ECP
    - TGAnet
    - Pay.gov
    - EFTPS (w/ FR-ETA)
    - FDS
    - SAM
    - CAFE
  - Began limited reporting “the GWA way” from TRS to GWA for certain:
    - Commercial bank deposits processed through CA\$HLINK II
    - FRB deposits processed through FRB CA\$H-LINK
  - Began reporting for agencies through TRS

# Major Accomplishments to Date

- Implemented OTCnet Phase 1 – Common look and feel for PCC OTC and TGAnet
- Obtained new legislative authority for repo investments
- Obtain Secretary's approval on proposal to reduce EFTPS mandatory threshold and IRS's publication of implementing regulations, which will effectively result in the end of the PATAX application
- Worked out an agreement with TRSO and FRIT to allow applications run by commercial banks to operate on the TWAI

# Upcoming Milestones (CY 2010)

- Finalize the transition of agreed-upon ACH debit electronic lockboxes to Pay.gov
- Finalize the transition of agreed-upon ACH credit and Fedwire electronic lockboxes to REX/FDS
- Complete the governance process for remaining systems/services
  - Mail Channel Application
  - Card Gateway
  - Image Archive
  - TCMS

# Upcoming Milestones (CY 2010)

- Connect Card Acquiring Service to TRS
- Finish conversion of agreed-upon TSYs agencies for CAS
- Select Card Gateway
- Implement the Debit Gateway and begin connecting applications to it
- Implement the Credit Gateway and begin connecting applications to it
- Continue rolling out “GWA way” reporting
- Complete high-level deliverables / resolve major open issues for TGA effort
- Implement new TGA structure

# Agency Preparation

- Change the collection programs that they use as FMS more logically organizes these programs
  - TGAnet & PCC OTC become OTCnet
  - PAD, RRBLink, Electronic Lockboxes (debits) moving to Pay.gov
  - FDS, REX, FR-ETA, Electronic Lockboxes (credits) moving to the Credit Gateway
  - We are trying to minimize the impact of these changes
    - Example: Agencies using FDS and REX can continue to use the same routing numbers
- End reliance on paper-based deposit tickets
  - Sign up for OTCnet / PCC OTC / TGAnet; the sooner, the better
- Establish the ability to accept transaction and deposit reports from FMS from a new, single location (TRS)
- Establish the ability to accept transaction files from FMS in a standardized XML format

# Agency Preparation

- Work with FMS to determine the TAS/BETCs (or C-Keys) that FMS should capture when processing revenue collections
- Sign and implement Strategic Cash Management Agreements with FMS that are designed to address the mix of FMS programs needed to meet each agency's collections needs
- Increase the use of electronic funds transfers for collections
- Recognize that the re-architecting of existing functionality likely will slow down development of new functionality

# Agency Benefits

- An easier-to-understand mix of revenue collection programs
- Consolidated transaction and deposit reporting
- Elimination of daily reconciliations to deposit reports (CA\$HLINK II)
- Standardized file format for transaction details
- Capture of TAS/BETC information at the time of transaction
- Improved access to collateral data

Agencies should have to spend less time, effort and money to do business with FMS while receiving better service than they have previously

**Questions?**

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**CCMM Web Site**  
**[www.fms.treas.gov/ccmm](http://www.fms.treas.gov/ccmm)**

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