

Federal Payments: Past, Present & Future

...or 100 years in 45 minutes

John B. Hill
Chief Disbursing Officer
Assistant Commissioner
Payment Management



1933

Treasury's Division of Disbursement established



Executive Order 6145 Consolidating Government Agencies

“...to increase the efficiency of the operations of the Government ... to reduce the number of such agencies by consolidating those having similar functions ...to eliminate overlapping and duplication of effort...”

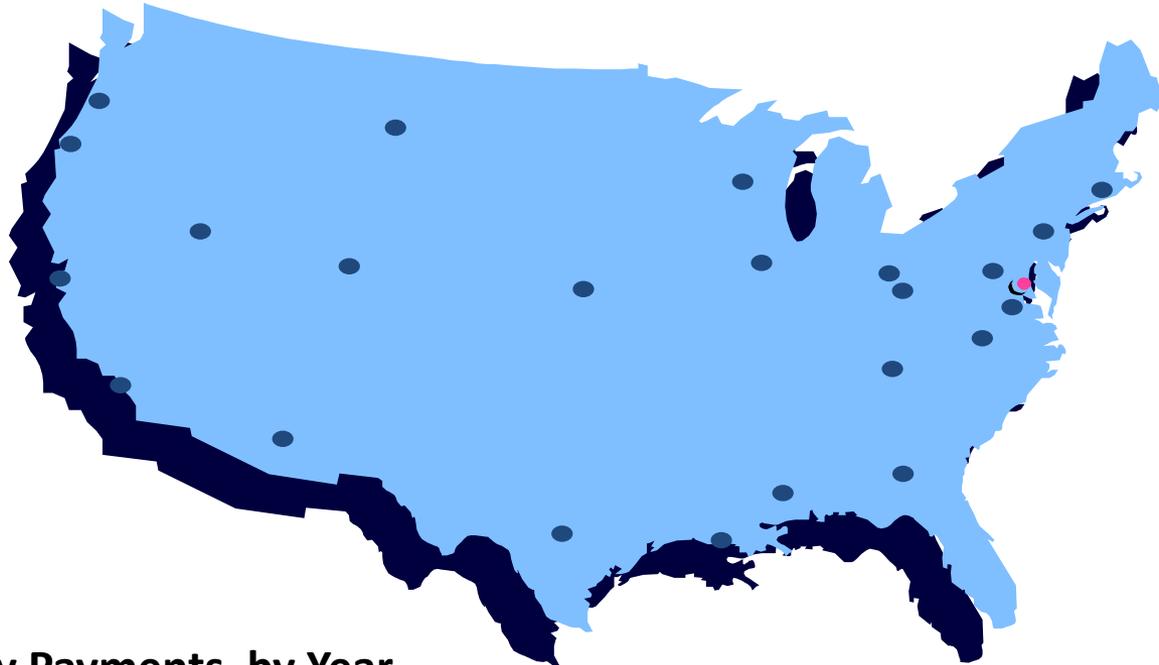


1940

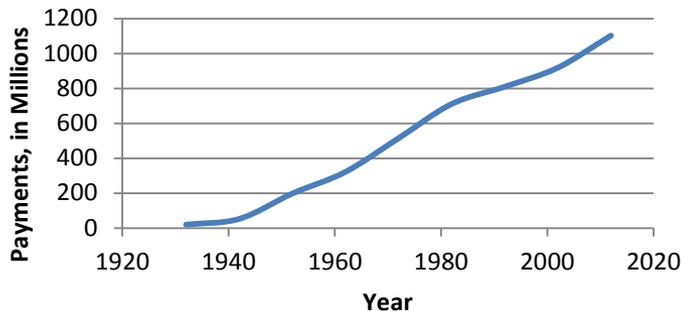
First Social Security check

1950

Treasury had 12,000 employees processing checks in 29 locations



Treasury Payments, by Year



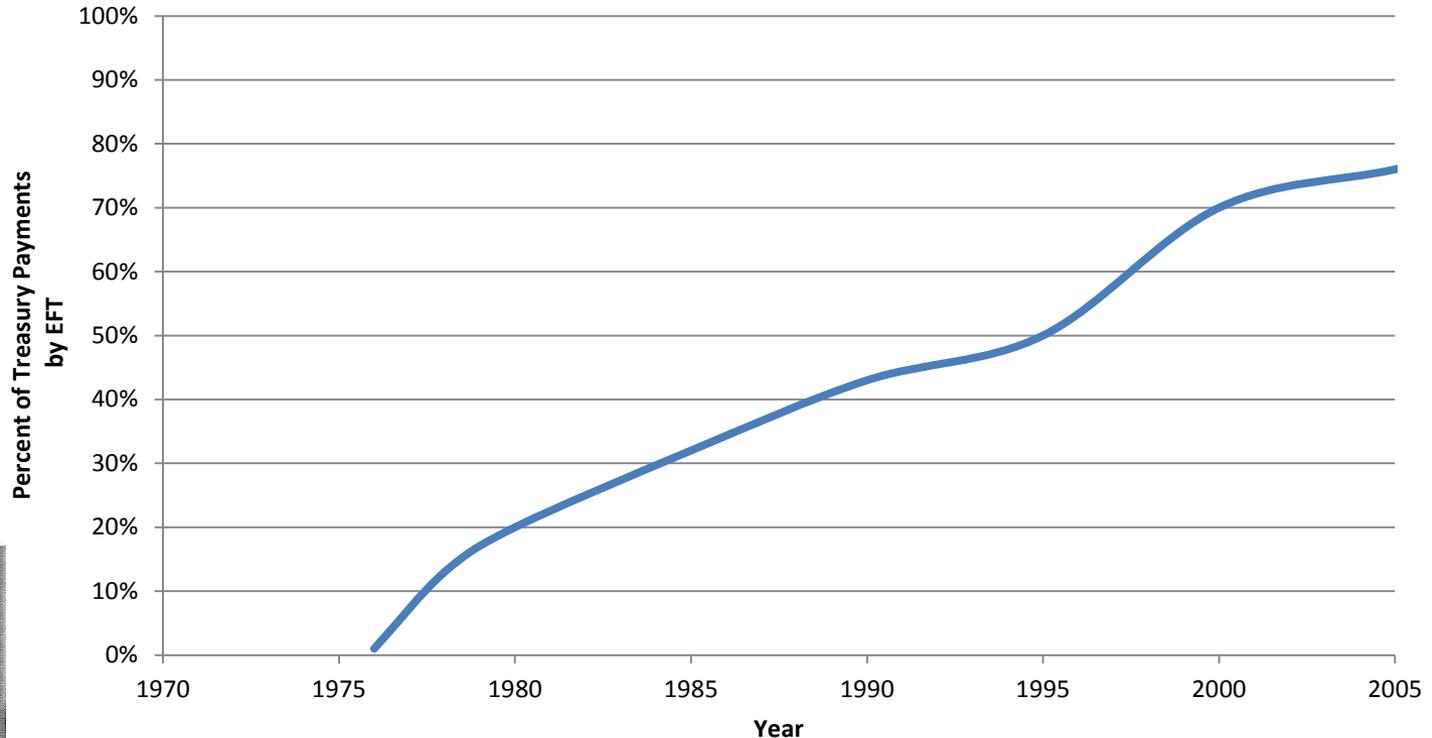
1975

Treasury printed 718 million checks

1976

US Treasury issues first electronic payment

Electronic Payments, by Year



Lester Plumly

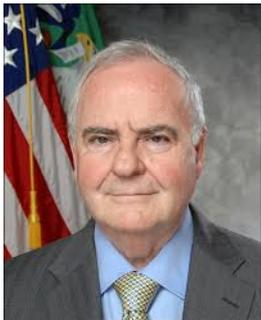
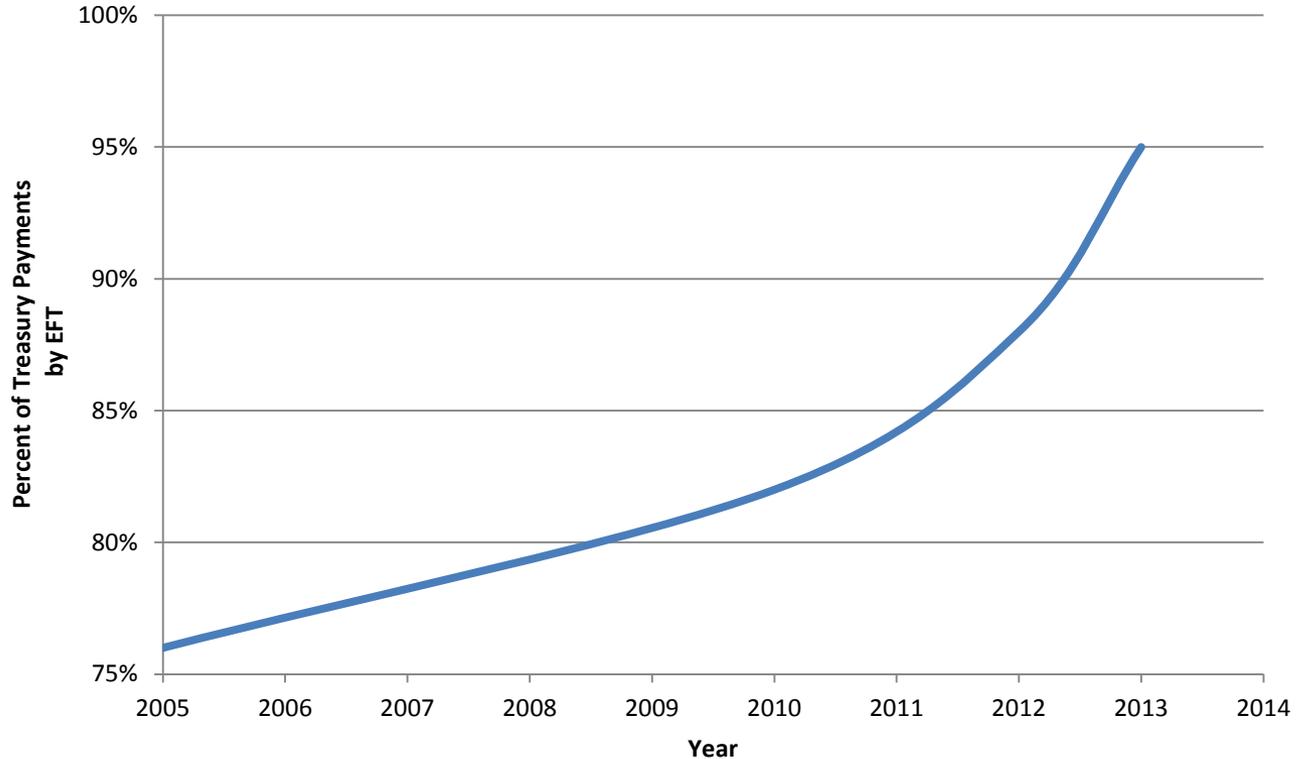
Circa 2005
EFT Rate begins to level off

2008

US Treasury launches Direct Express



Electronic Payments, by Year



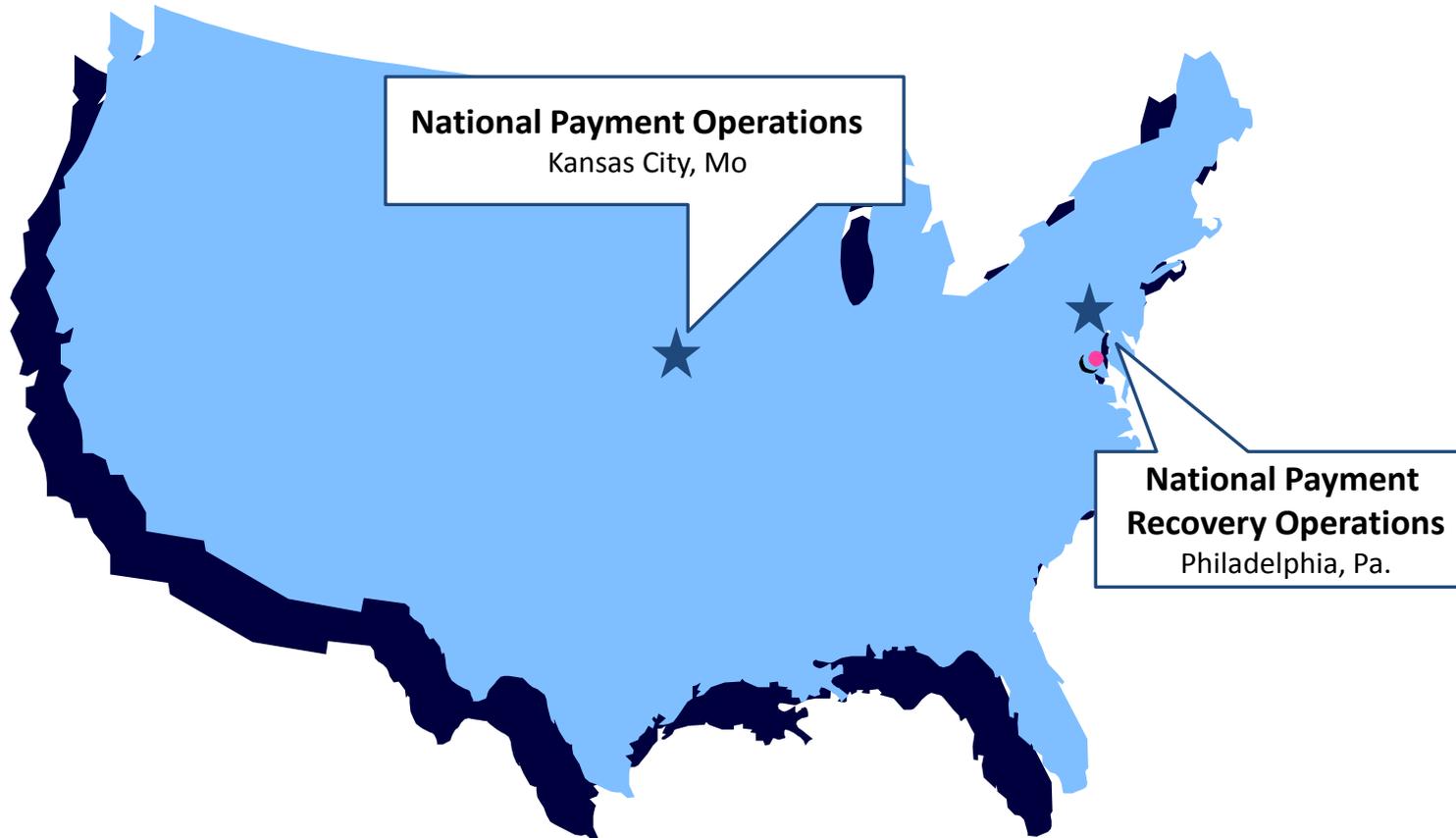
Richard Gregg

2010

US Treasury mandates All-electronic benefit payments

2015

Two Processing Centers for Treasury Payments



*“...by consolidating those having similar functions
...to eliminate overlapping and duplication of effort...”*

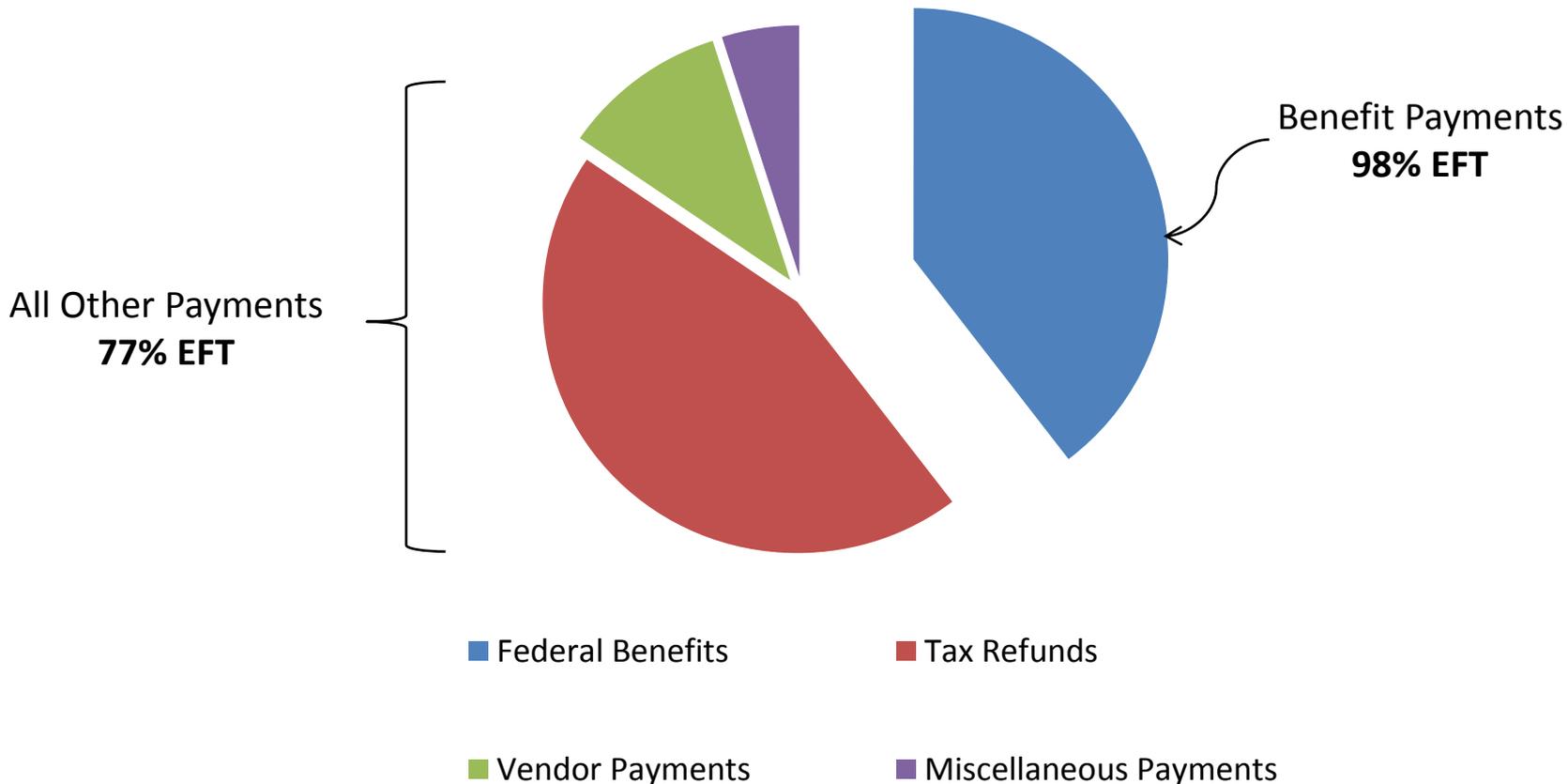
- Franklin Delano Roosevelt, 1933

Six Future-Shaping Challenges

- 1 The Last 5 Percent
- 2 Bottom of the Cost Curve
- 3 Cost of Post-payment Processing
- 4 New Electronic Relationships
- 5 Value of Information
- 6 The Next Electronic Frontier

Typical Monthly Check Production

4.5 Million Checks – June 2014



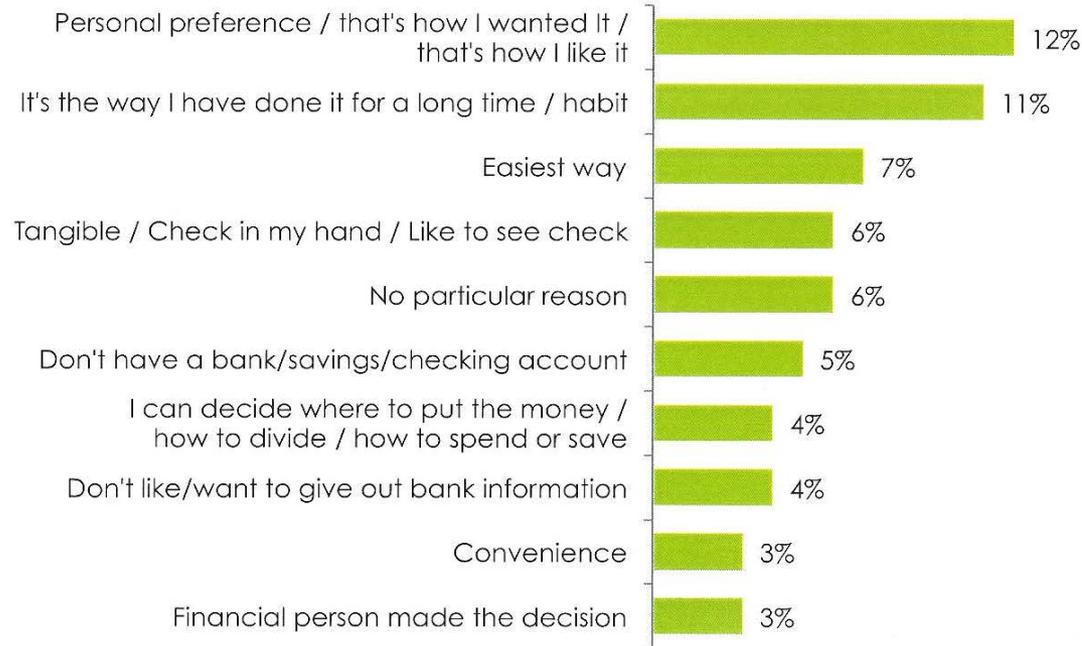
The majority of Treasury checks are no longer for Federal benefits



Tax Refunds



Top 10 unaided reasons for deciding to receive refund by paper check



The appendix contains more detail on responses.

Unweighted Base: Paper Check (n=1975)

Q7 Why did you decide to receive your federal income tax refund via check?

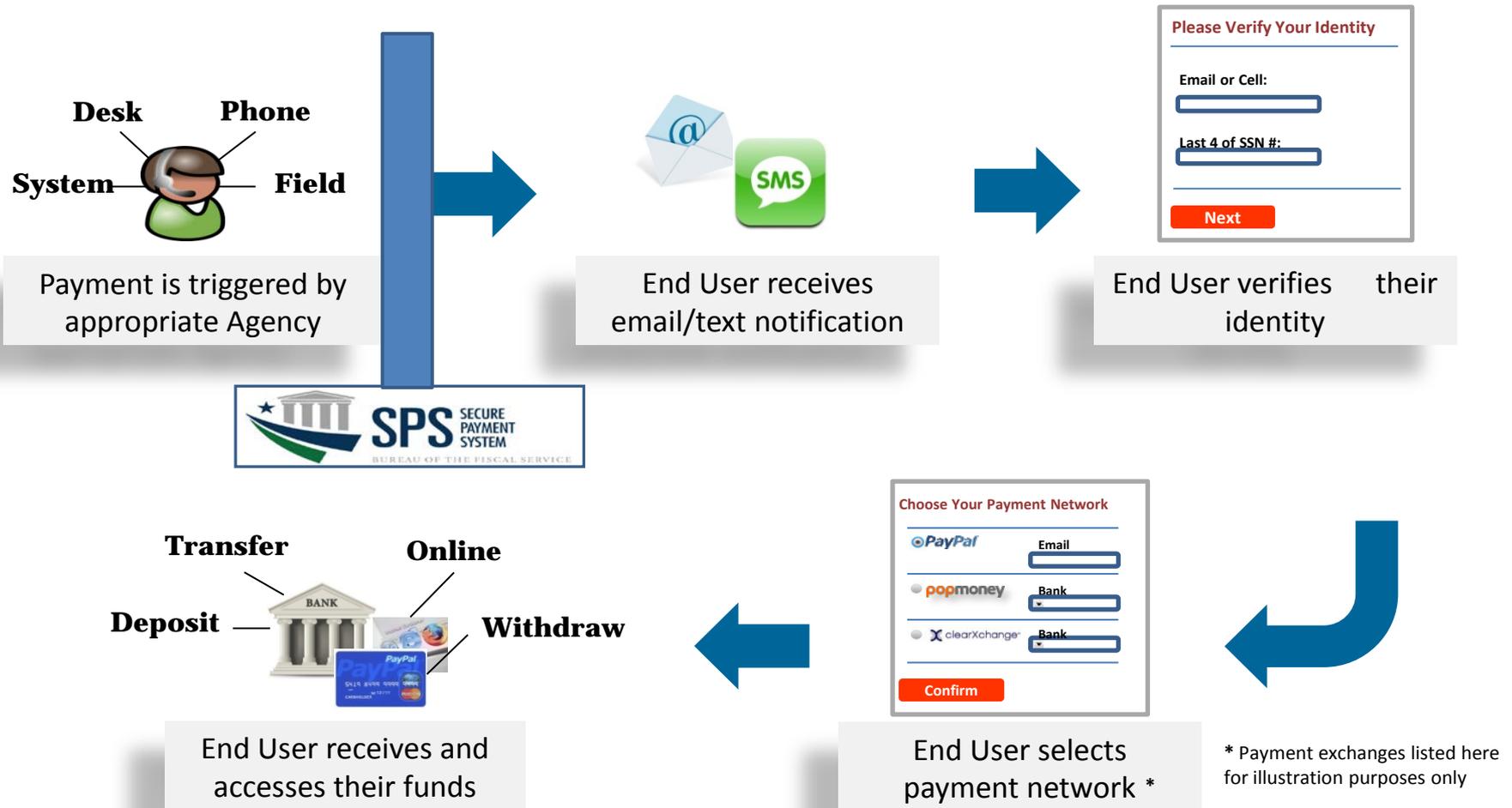
"I prefer to know what amount is received and where to deposit the check."

"I've always done it that way and there's no real reason for me not to. Like finding the check in the mailbox and having something tangible in my hand to take to the bank."



There is no single clear reason why people prefer paper checks

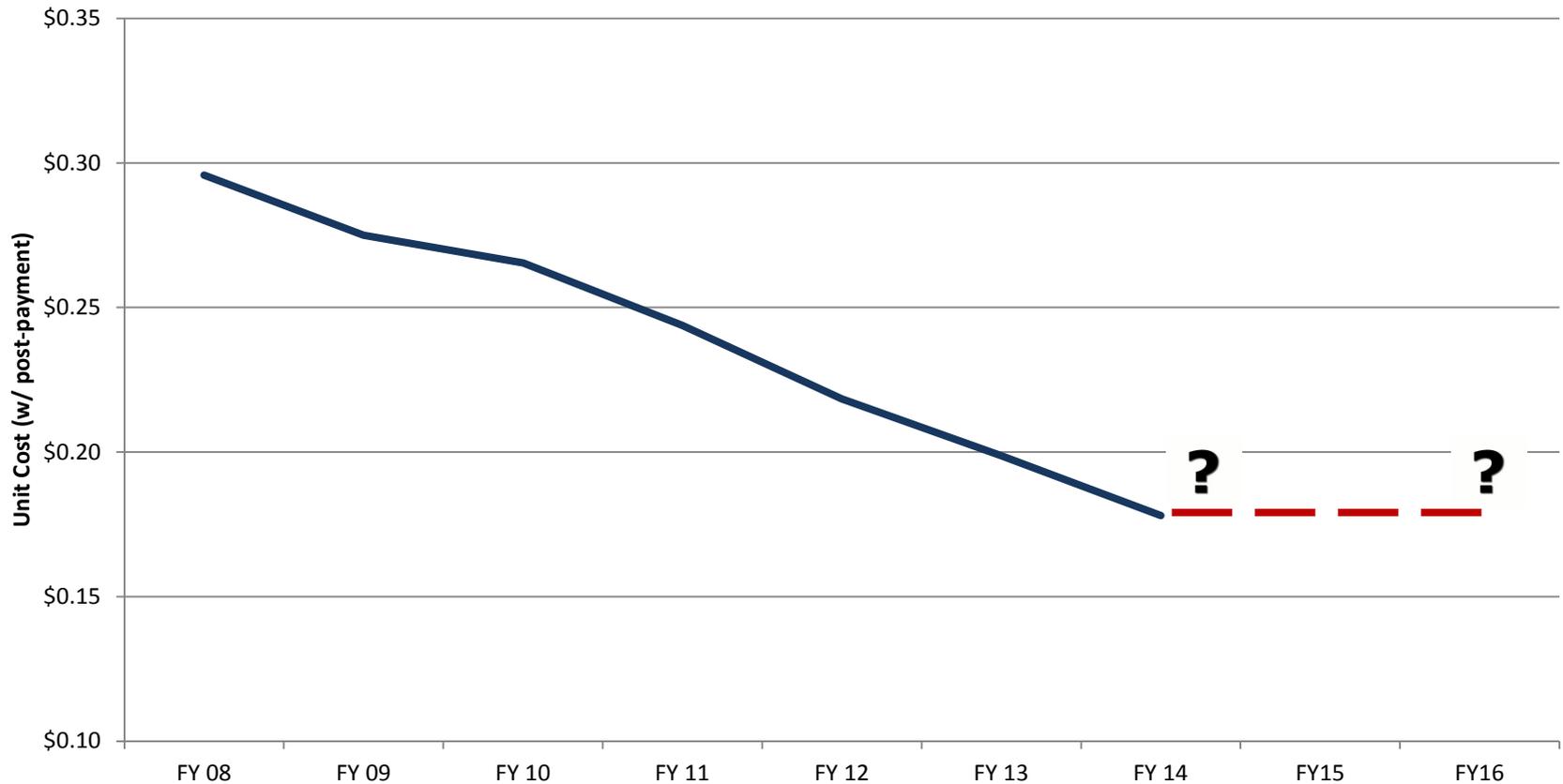
Alternative Payment Options



An agency will be able to make mobile payments using the traditional Treasury method involving the Certifying Officer and the Secure Payment System

Unit Cost of a Treasury Payment

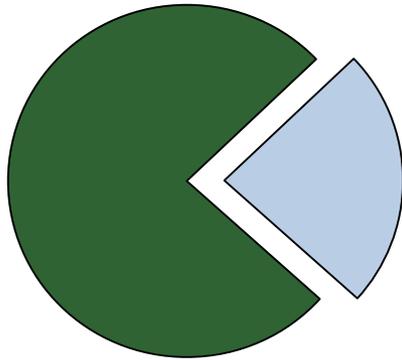
(Composite of EFT & Check)



With 95% of all Treasury payments electronic, creating further savings will require a new approach

Creating further Economies-of-Scale

Treasury disburses 76% of the \$4 Trillion in Federal payments



DoD and HHS comprise 90% of the \$1 Trillion non-Treasury payments

Conversions in the past year:

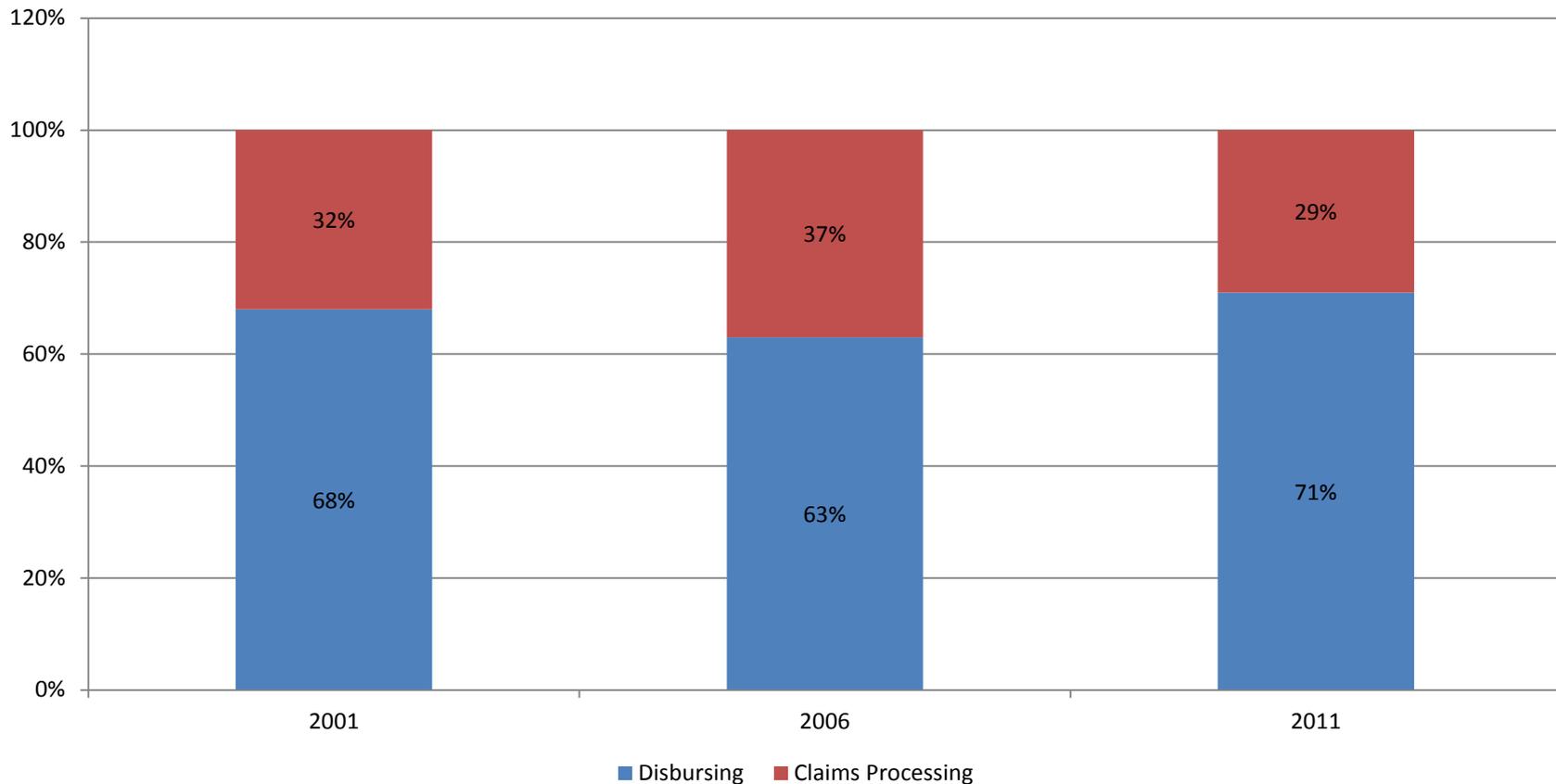
Government Printing Office
Special Trustee for the American Indian
DoD – Joint Staff
DoD – HQ Services

Pending Conversions:

DoD – Defense Logistics Agency
DoD – National Defense University
DoD - various small components
Library of Congress
US Courts
US Marshals Service

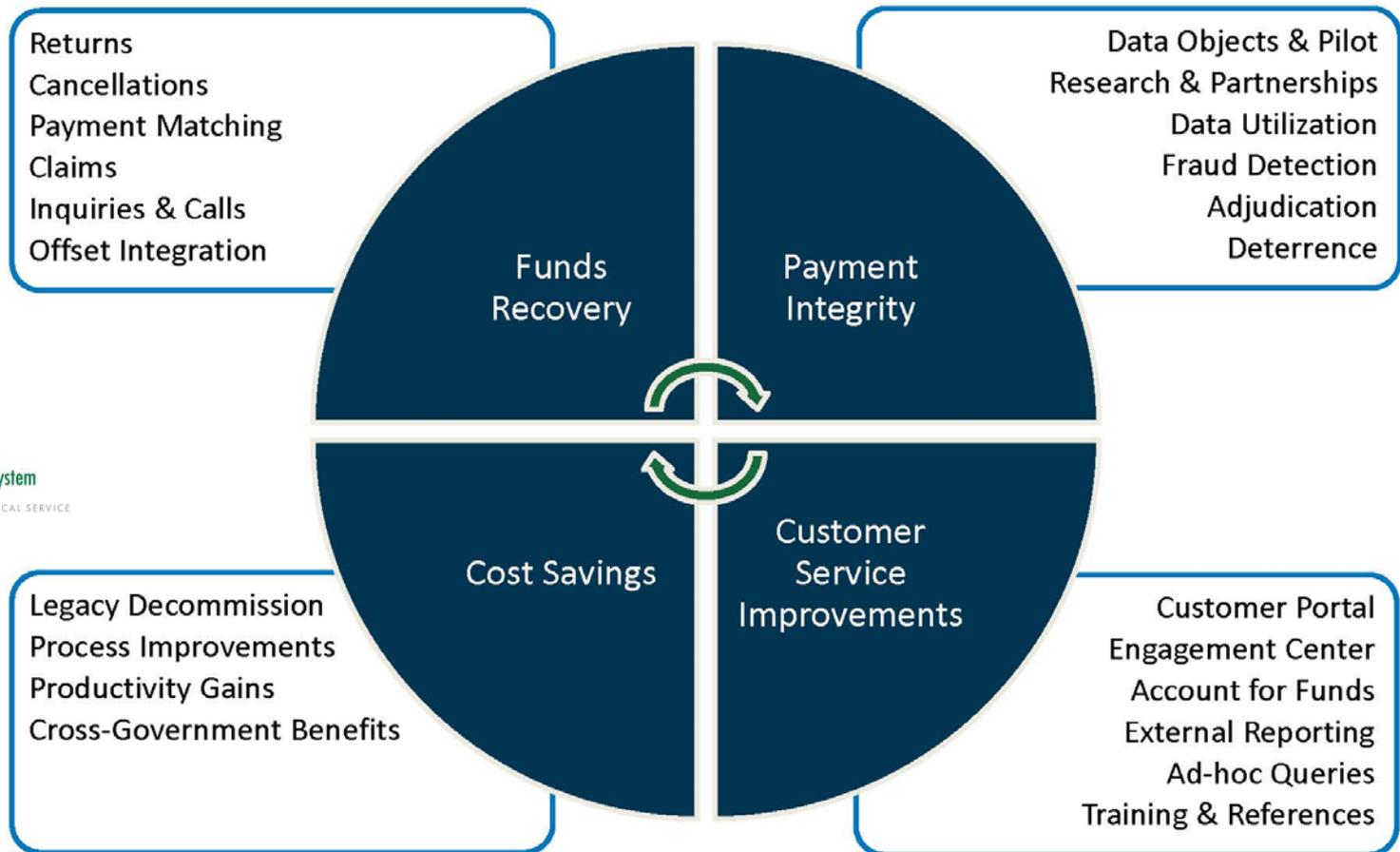
With the government-wide emphasis on back-office consolidation, many agencies are looking at Treasury for disbursing services

Post-payment Processing as Percent of Total Payment Processing Cost



Claims, returns and reclamations occur about once per 100 payments, but constitute about a third of total payment processing cost

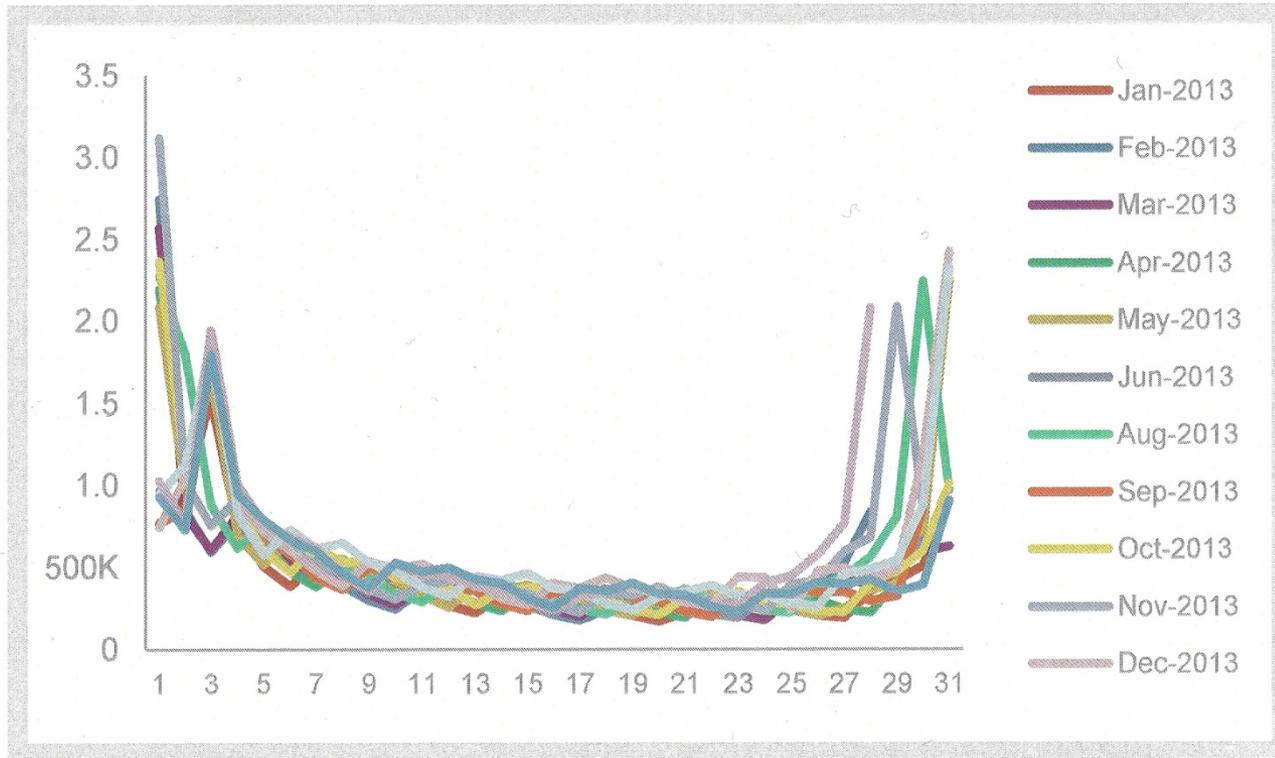
Post Payment Processing Re-Imagined



The new Post Payment System will create more efficiency through automation, and more value by detecting mis-directed payments



Calls by Day-of-Month

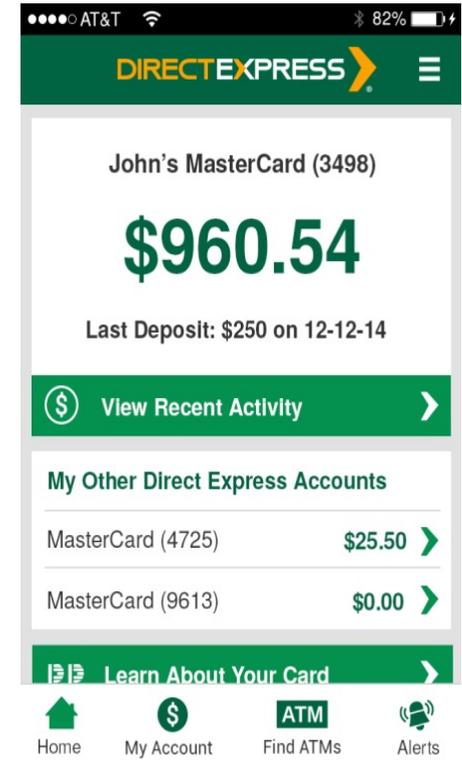
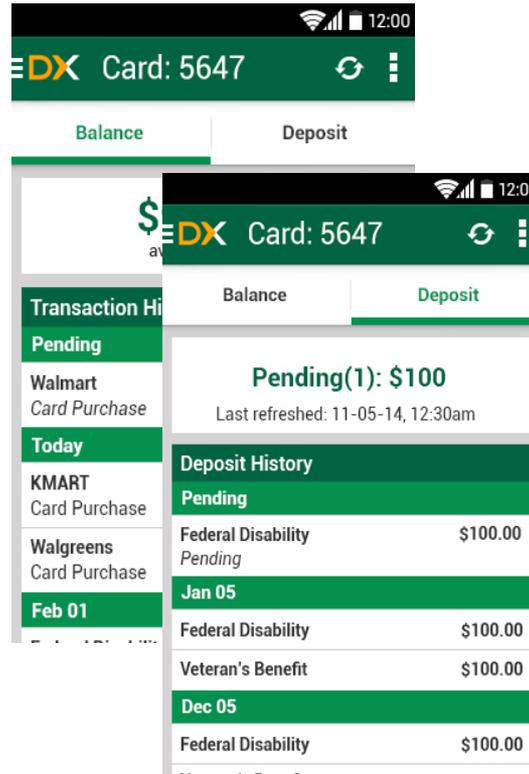
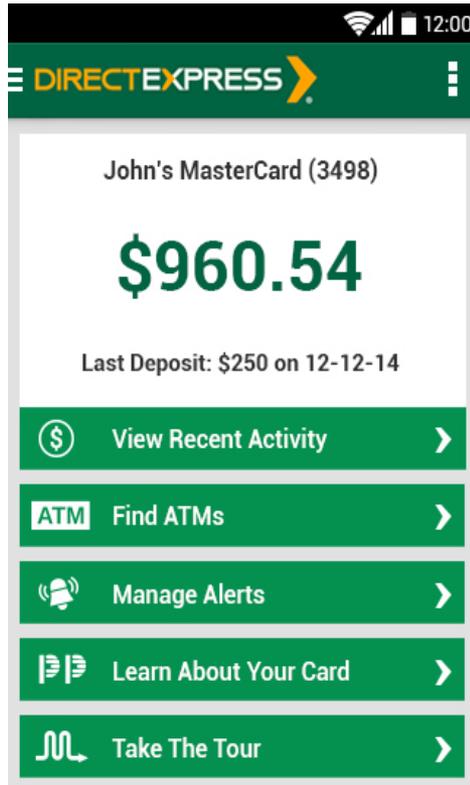


Workload:

- 2.5 million calls on payment date
- 16,000 in first minute
- 70% of calls from individuals making more than 5 calls/month

New payment methods create new expectations for service

Mobile Application



Smart phone application to reduce traditional call center volumes, and create a more informed cardholder

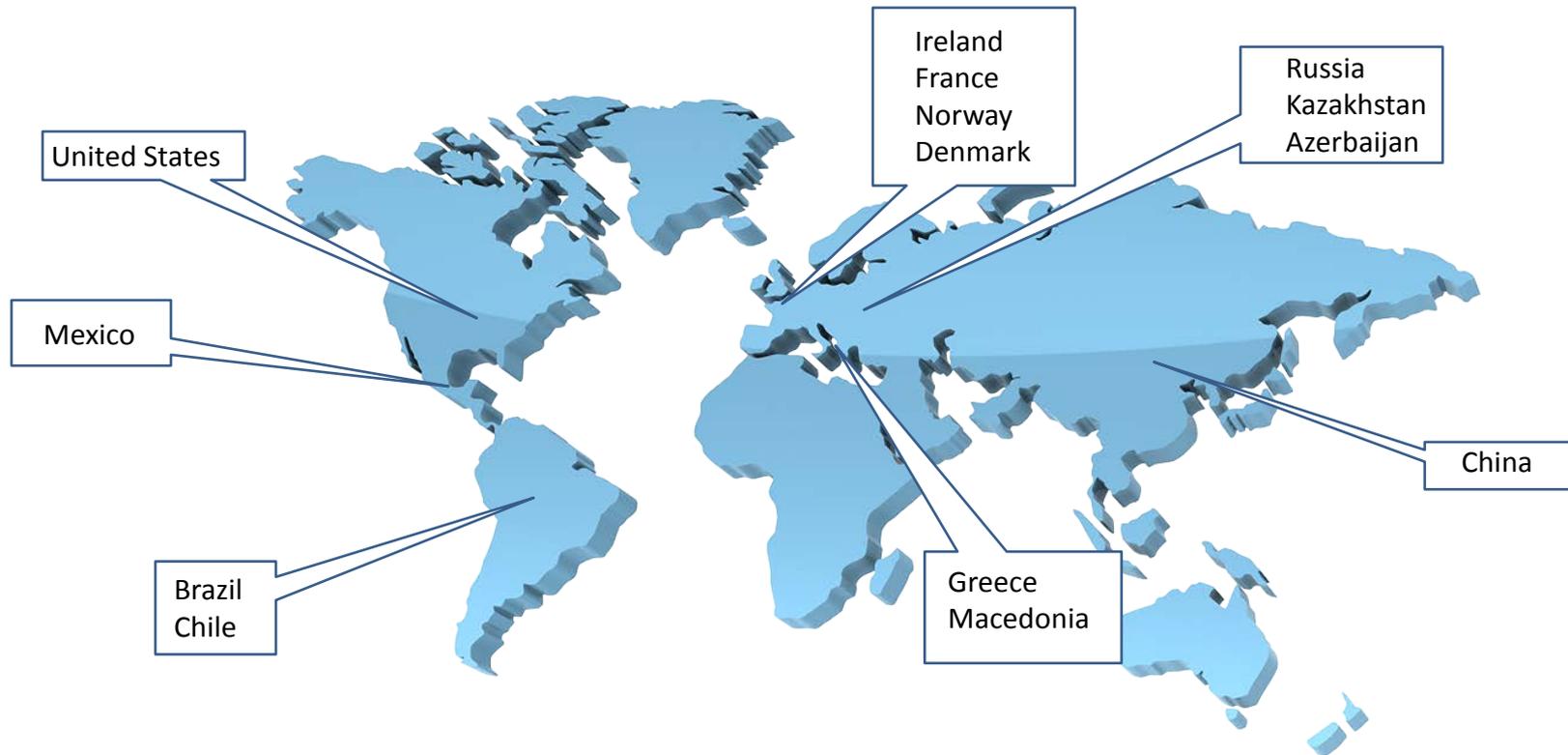
Public Websites on Federal Expenditures



PERFORMANCE.GOV

As the DATA Act is implemented, interest in the accessibility of Federal payment data will increase

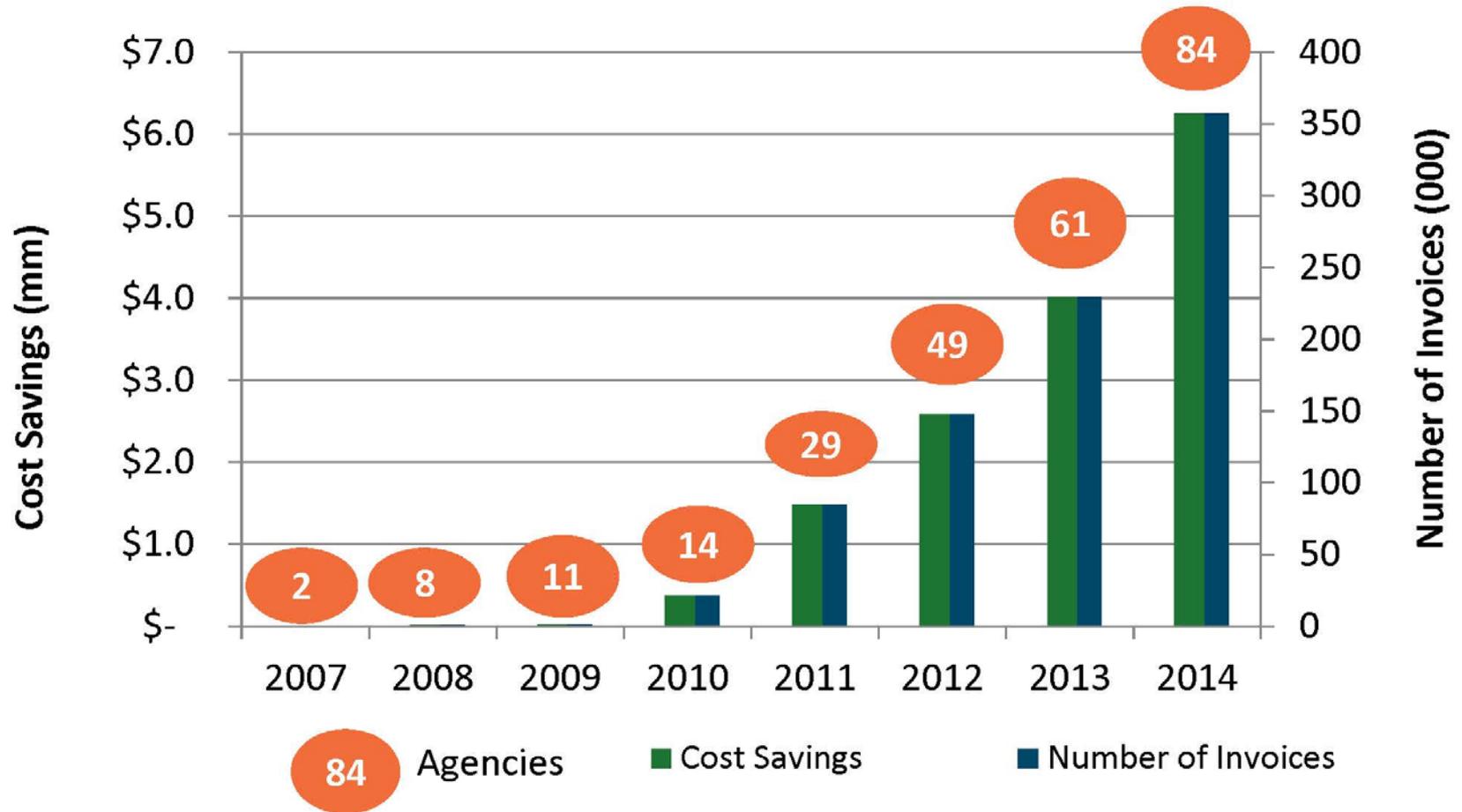
Nations that have launched e-Invoicing initiatives



*Between 45% and 65% of all companies in a country are suppliers to the public sector
... that is why e-Invoicing initiatives by the public sector are key for the development
of the whole country*

- e-Invoicing/e-Billing: The catalyst for AR/AP automation, Bruno, Koch & Billentis, 2013

Treasury's Invoice Processing Platform (IPP)



As OMB considers an e-Invoicing mandate for all Federal procurements, agency interest in Treasury's Invoice Processing Platform grows

“The future is already here ...

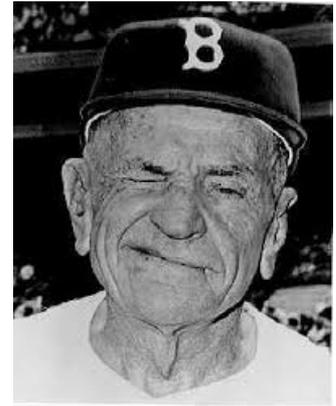
it's just not very evenly distributed.”



William Gibson

“Never make predictions ...

especially about the future.”



Casey Stengel