



BUREAU OF THE
Fiscal Service
U.S. DEPARTMENT OF THE TREASURY

Non Traditional Alternative Payments (NTAP) Fiscal Service Advisory Council

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Agenda

- Introduction and Background
- Digital Wallet Benefits
- Treasury's vision for the future of Payments
- US Marshals Pilot
 - Workflow
- Pilot Results and Feedback
- Potential Uses
- Next Steps

NTAP Introduction/Background

- While Treasury's All Electronic Initiative successfully increased the EFT percentage for beneficiary payments, our efforts to match the success for all other types of payments have languished.
- The continued use of paper checks by agencies validates the uniqueness of these payments types and demonstrates that traditional electronic payment methods (ACH, Wire) do not provide the utility of aftermath processing, ease of use, flexibility, or universal-acceptance.
- Treasury's NTAP initiative offers recipients a way to receive Federal payments by providing an email or mobile phone number thus removing any concern about providing banking information to the Government.

Fiscal Year 2014-2015 Payments Snapshot

- FY '14 EFT %
 - Benefit payments: 97.7 %
 - Vendor payments: 73.1%
 - Miscellaneous payments: 91.2%
 - Tax refund payments: 72.3%
 - Total payments: 94.4%
- FY '15 EFT %
 - Benefit payments: 98.0 %
 - Vendor payments: 77.5%
 - Miscellaneous payments: 87.3%
 - Tax refund payments: 73.7%
 - Total payments: 94.8%
- Issued 60 mil paper checks in FY '15 vs 64 mil in FY '14

WHAT NTAP Accomplishes

We are integrating the ability readily available in the private sector to receive payments via Commercial Payment Exchanges such as PayPal, ClearXchange, PopMoney and Google Wallet by providing the following to Federal payment recipients:

- 1) Ability to deliver electronic payments via email address or mobile phone number;
- 2) Immediate funds availability once the user is on-boarded and funds have been sent;
- 3) User-onboarding takes only minutes and can occur outside of the payment process;
- 4) Can be integrated with existing Treasury disbursement controls involving the Certifying Officer; and
- 5) Takes advantage of existing commercial payments infrastructure (ACH)

Benefits of Digital Wallets

What are **Digital Wallets** and what do they do?

Digital wallet payments provide government agency customers with simple, convenient, and secure ways to pay, and get paid by the government.

What are the **BENEFITS**?

- Simple, convenient and secure payment options
- Provides consumer anonymity
- Reduces exposure of citizen PII
- Extends payment to International users
- No change in current reporting
- Quick time-to-implement
- Provides customers more choice in payments
- Now accepted via Pay.gov



PayPal

PayPal gives people a simple way to pay agencies without sharing financial information, with the flexibility to pay using their account balances, bank accounts, or credit cards

PayPal has more than 176 Million active accounts across 203 countries and markets and can hold balances in 26 currencies

Over 7 Million merchants accept PayPal

PayPal processes more than 12.5 Million payments every day

PayPal accounts are easy to establish



Dwolla

Founded in 2008

Offers another digital wallet alternative for citizens who may not want to provide their credit card information to government

It saves government (and ultimately, taxpayers) a substantial amount in transaction costs

Created its own end-to-end, open loop payment network for anything connected to the Internet

As of May 2015, it had more than 650,000 users and had transferred as much as \$5 million per day.¹



¹Consumer Finance Protection Bureau, March 2016

NTAP Action Plan

- Treasury's NTAP pilot/service is aimed at eliminating some/most/a majority of the remaining paper checks.
- Fiscal Service views NTAP as another viable option in our Paywall Concept (graphic on an upcoming slide will illustrate this).
- NTAP aligns with multiple Fiscal Service/Payment Management tactical goals to include:
 - Continue efforts to increase the EFT rate with emphasis on tax refunds, vendor payments, and maintaining 98% EFT for benefit payments.
 - Explore and evaluate potential electronic payment solutions in order to expand payment options.

How Does a Paywall Solution Work for Government?

Government agencies can easily pay payment recipients



A Paywall integration solution offered by the Bureau of the Fiscal Service



Paywall Options



Payment recipients receive payment on their preferred option



The Paywall concept supports an integrated solution for Government agencies to facilitate payment recipient preferences that also meet Strategic and Tactical goals of the Bureau of the Fiscal Service.

The payment networks above are for illustrative purposes only.

What Might an Agency Website with NTAP Integration Look Like?

RETURNING SERVICE MEMBERS (OEF/OIF/OND)

Returning Service Members
(OEF/OIF/OND) Home

VA Services: Education



VA Education Payment Notification

Dear Student,

Your VA education payment will be sent to you electronically once your verification and attendance requirements are met.

Steps:

1. Go to www.gibill.gov/ewallet and verify your identity online.
2. Choose your payment network.
3. Attend class and meet attendance requirement.

You will receive an email notification once the attendance requirement is met.



VA Education Payment Notification

Dear Student,

Your attendance requirement for your VA education payment has been met. Your funds are now immediately available.

If you have not completed the verification requirement please follow the steps below.

Steps:

1. Go to www.gibill.gov/ewallet and verify your identity with PIN: 1234
2. Choose your payment network

How was the Proof of Concept Performed

1. Selecting from several interested agencies, Fiscal Service determined that USMS was the only agency ready for participation in the pilot by September 2014
 - a. USMS was chosen because of the low risk - - payments are made exclusively to Federal employees, not the general public, and have low dollar and low transaction volumes.
2. Fiscal Service developed a prototype payment portal based on the needs of the USMS for administrative payments
3. Fiscal Service engaged a Financial Agent to serve as the settlement bank
4. Fiscal Service demonstrated the PayPal process to USMS in February 2015 and received approval to proceed
5. First NTAP payment was initiated and completed in February 2015

Legal and Policy Considerations

1. To provide an innovative and flexible framework to support a small pilot with the complexities of eventually needing to settle funds with multiple network payment exchanges (i.e. PayPal, Google, Venmo, etc...), Wells Fargo was selected due to their business relationship and experience working with PayPal.

A. The selection of Wells Fargo also met Treasury's regulatory and legal requirement —that Federal Funds be held in an account prior to settlement.

2. An Agreement was established with Wells Fargo to maintain the settlement account for NTAP.

A. As defined in the Agreement - monies in the account will be public money owned by Fiscal Service.

3. Treasury fulfills its obligation to disburse these payments once the items settle into the Wells Fargo account - - at which time a liability shift occurs.

4. Before the inclusion of the settlement account, PM sought an “in the name of” waiver for these payments.

NTAP Workflow

Payment Initiation

- Agency staff accesses “portal” to initiate payment
- Portal is designed for intuitive use by staff
- Design builds on payee-driven options/preferences

Payment Approval

- Standard dual controls (DEO and CO)
- Standard Agency process/EFT systems (SPS, ASAP)

Funding Initiation

- Payment instruction sent to NTAP networks (Day 1)
- Conforms to EFT requirements, e.g. uses Reg. E accounts
- Real-time management/tracking at each stage of payment

Money Movement

- ACH sent by NTAP networks for settlement (Day 1)
- SPS sends Wire/ACH to fund settlement account (Day 1)

Settle/Reconcile Transaction

- NTAP and SPS items settle same-day (Day 2)
- Single system of record
- Treasury reconciles bank and NTAP items/exceptions

DEO – Disbursing Entry Operator

CO – Certifying Officer

SPS – Secure Payment System

ASAP – Automated Standard Application for Payments

Data Entry Portal – Payment Initiation Step

③ Create New Payment ✕

DOC REF 1

DOC REF 2

Payee

Email

Indicator Yes No

Amount

Notes

INITIATE

Pilot Statistics (through April 2016)

Date	Number of Transactions	Number of Deputies	Value of Payments
February 2015	4	3	\$2,250
March 2015	26	22	\$30,300
April 2015	3	3	\$1,700
May 2015	22	16	\$22,950
June 2015	16	13	\$11,550
July 2015	7	5	\$21,750
August 2015	13	8	\$8,800
September 2015	22	14	\$24,450
October 2015	0	0	\$0
November 2015	15	7	\$28,070
December 2015	4	3	\$3,350
January 2016	15	10	\$22,000
February 2016	7	4	\$3,350
March 2016	53	37	\$66,300
April 2016	33	30	\$55,110
Totals	240	175	\$301,920

➤ Average payment amount of \$1,248

NTAP Potential Uses

- Administrative / Witness Payments -- Other Law Enforcement agencies
- Disaster situations - - FEMA
- Emergency Payments - - SSA
- Tax Refunds - - IRS / Misc Agencies
- Younger demographic payments - - Education/Veterans Affairs
- Others?

Next Steps

- Migration of service to a Fiscal Agent Bank (Federal Reserve)
 - by end of April 2017
 - scalability
 - synergies with other Fiscal Service eCommerce initiatives
- Continue expanding service within US Marshals Service and assess
- A more fully integrated solution

What this means for other Federal agencies?

- Timeline
 - Several agencies lined up to be fast follow agencies
 - Fiscal Service will continue seeking out potential candidates with an expected implementation of late 2017/early 2018.
- Budget
 - Still TBD
 - Generally, Treasury will fund any system used to make payments, collections, or accounting of Federal Funds.
 - However, NTAP is classified as a Service and it is too early into the ‘Software as a Service’ era to determine if there will be any associated charges.
 - Like any service, this can be turned on/off by the Federal agency at any time.

Thank You

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