



BUREAU OF THE

**Fiscal Service**

U.S. DEPARTMENT OF THE TREASURY

# Payments and Regulatory Update

## What's New in Payments

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# 31 CFR Part 208

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- All-electronic initiative by Treasury
- New rule limits waivers and promotes compliance by individual recipients and their agencies
- All individual recipients had to convert to EFT by March of last year
- Waiver process
- Use of the Direct Express card for unbanked recipients

# Success of All-Electronic Treasury effort

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- Over 98 percent of individual benefit payments are made by EFT, nearly a 15 percent increase since 2010
- Direct Express program installed at various benefit agencies
- Paper checks continue to decrease by thousands each month
- Waiver process allows Treasury to focus on non-compliant recipients

# EFT Efforts - Next Steps

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- Work with agencies to increase EFT payments to vendors since there are no waivers for vendors
- Regulatory foundation supports EFT for contract payments
- Use of addenda records
- Use payment data to identify vendors receiving the largest volume of checks
- Support outreach efforts, such as direct mail campaign efforts for agencies with recurring vendor/misc payments
- New payment technologies being explored

# NACHA Update - Use of EFT for Medical Payments

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- Providers cited lack of remittance and difficulty matching insurance statements to actual payments as impediments to EFT
- CMS and NACHA address this issue with new rule last year
- Medical payments must be coded in a particular manner so recipients/banks are aware that they are receiving medical payments. (Coding completed by Fiscal Service)

# Medical Payments (Cont.)

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- Agencies making medical payments must include a reassociation trace number with each payment so the provider can match the payment to a person and/or treatment
- Agencies should make payment-related data available electronically
- Agencies making medical payments by check must convert them to ACH through compliance letters to providers receiving check payments

# Fraudulent Enrollments

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- Increase in fraudulent EFT enrollments in 2012, primarily from prepaid card providers
- Fiscal Service is working with the NBPCA to prevent fraud associated with benefit and tax refund payments
- Fiscal Service TFM is being updated to include best practices to prevent fraud
- You better talk to those PPS folks!

# NACHA Bulletin

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- 2012 - 1
- ODFI's will be held liable for lost Federal payments resulting from erroneous enrollments
- Bulletin reminds financial institutions of their liability to submit valid enrollment information to Federal agencies
- Codified in 31 CFR Part 210, the Federal government's rule on ACH

# Fiscal Service Fraud Mitigation Efforts

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- Use NACHA Bulletin 2012 - 1 as a launching point to recover lost payments
- Fiscal Service is developing a process that will allow agencies to use Fiscal Service's authority in 31 CFR Part 210 to collect payments from ODFI's that submit erroneous payments
  - GreenBook changes must be made
  - Philadelphia is in the process of implementing steps to create an ACH claim process where fraudulent enrollments are involved

# Use of New Payment Technologies

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- 1 year pilot with contractor to determine how new P2P technologies can be used for Federal payments
- Alternative EFT options - PayPal; Square Cash, etc to support EFT initiative
- Pilot agencies - USMS and VHA
  - Limited volume and scope to permit analysis before deciding how to use such technology in the future

# Increase in Usage of Prepaid Cards

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- 2-3 percent of benefit payment volume
- Consumer groups concerned about fraud; consumer protections
- Treasury rule at 31 CFR Part 210 addresses payments to prepaid cards
- Upcoming issues, such as fees and overdraft features, will be closely monitored by the Fiscal Service but may receive ruling from CFPB

# Contact Information

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