

CHAPTER 8. MODERNIZING PAYMENT PROCESSING AND BUSINESS METHODS

GOAL: *Modernize payment processing and business practices by leveraging successful government and private sector technology innovations and process reengineering opportunities.*

Rapid technological changes and process reengineering have contributed greatly to the continuous modernization of payment processing and business methods/practices. Such efforts, while beneficial on their own, have been particularly useful during the downsizing of the federal workforce. Moreover, it is the Department's goal to provide competitive and cost-effective services to its customers. The Department has established multiple initiatives that seek to eliminate outmoded approaches, maintain only essential elements and services, and use state-of-the-art technology to yield maximum benefits to the American taxpayer.

The essential elements of the program to modernize business methods and payment processes are:

- Streamlining financial and administrative processes.
- Using technology to improve the efficiency of payment processes.
- Rewriting departmental policy and guidance to empower employees and eliminate unnecessary process steps.
- Identifying high payoff areas for streamlining processes and upgrading technology.
- Providing assistance to bureaus in developing requirements.
- Measuring performance.
- Working with central agencies to develop long term strategies for process and systems modernization.

Improving Cash Receipts Processing

Due to the Department's substantial revenue-producing activities, efforts have focused on improving collections and processing/depositing of cash receipts rapidly. A key emphasis of the Department's cash management program has been to accelerate cash receipts by requiring payments via wire or electronic transfer. In addition to using electronic transfers, Interior has worked cooperatively with the Department of the Treasury to establish several lockbox systems and plastic card collection networks to collect timber fees, abandoned mine land fees, water sales, park entrance fees, construction cost repayments, and state and local government reimbursements.

FY 2000 Accomplishments

- Updated the functional review document for cash management processes. Bureaus are reviewing cash management functions based on standard internal control requirements and compliance with appropriate cash management regulations which are expected to be completed by the end of FY 2000.

Planned Actions

FY 2001 Planned Activities

- Continue to use the Plastic Card Collection Network (PCCN) and Automated Clearing-house for collecting funds due the Department.
- Investigate the use of *Pay.Gov* for royalty payments for the Minerals Management Service's Royalty Management Program.
- Implement Government On-line Accounting Links System (GOALS) II in August 2001 and Intra-governmental Payment And Collection (IPAC) in June 2001.

Improving Payment Processes

In performing its basic missions, the Department of the Interior annually processes over two million (non-payroll related) payments, which account for expenditures in excess of \$3.5 billion each year to organizations that provide products and services to the Department. Collectively, these payments cover a broad range of payment categories (i.e., payments to vendors, payments to other federal agencies, reimbursements, grants, contracts, purchase orders, etc.), and involve an equally broad and growing array of available alternative payment mechanisms which include Treasury checks, electronic funds transfers, and charge cards.

In recent years, payment processes have been positively impacted by technological advances. The Department has been an active participant in the governmentwide Electronic Commerce pilot program, and has developed capabilities that will allow the Department to fully capitalize on this promising technology once governmentwide standards are in place.

The Department has embraced the use of plastic card technology as an enabling agent to improve service to customers while improving the overall efficiency of the payments process. The growth in the dollar volume of payments made through the charge card program has averaged in excess of 40 percent annually in recent years, to an annualized level of approximately \$400 million in 1999. The growth trend in the use of charge cards is expected to continue during the next five years. In addition to the obvious reduction in finance office workload associated with the reduction in the number of payments that must be made, the increased use of charge cards has virtually eliminated the need to issue travel advances to employees; reduced the number and amount of payment (interest) penalties associated with the Prompt Payment Act; substantially improved the Department's Electronic Funds Transfer performance in complying with the Debt Collection Improvement Act of 1996 (DCIA); and has provided additional benefits through volume-based refunds which accrue to the Department.

The Department continued to expand and improve its implementation of the SmartPay charge card program in FY 2000 by refining and maintaining the electronic interface to its financial systems to support daily invoicing and daily payment. The Department also worked with the Bank of America in the reissuance of all cards to use account numbers clearly indicating exemption of state sales tax. As the largest fully integrated card program in the federal government, the Department served as an advisor to other federal agencies to relate the improvement initiatives in the program including diversion accounts, split disbursement, and central billing of most categories of travel cost, including successful pilot testing of centrally-billed lodging costs.

FY 2000 Accomplishments

- Continued to improve the SmartPay Program to achieve daily payment of charge card invoices and improved the electronic interface to bureau core accounting systems.
- Continued to make progress in compliance with electronic funds transfer and taxpayer identification number requirements of the DCIA.
- Continued use of a departmental electronic funds transfer tracking system to measure progress in increasing the number of payments made electronically as required by the DCIA. This information was reported monthly to Interior's Management Council. As of June 30, 1999, 76 percent of vendor payments were made via EFT. This is an increase of 21.5 percent compared to the prior year.

Planned Actions

Ongoing Activities

- Pursue additional opportunities for further streamlining and reengineering administrative functions. Possible areas include:
 - Opportunities to further streamline payment functions through additional outsourcing.
 - Increase use of electronic malls for purchasing.
 - Further streamlining of the travel process through direct (central) payments.

FY 2001 Planned Activities

- Participate in one or more pilot travel system efforts authorized by the Travel and Transportation Reform Act of 1998.
- Eliminate imprest funds to the maximum extent possible and limit the use of third party drafts and convenience checks.
- Continue efforts to implement the electronic payment requirements of the Debt Collection Improvement Act of 1996.

- Participate in the governmentwide effort to standardize and use one of the two electronic grant payment systems (Treasury's Automated Standard Application for Payments or Health and Human Services' Payment Management System).
- Assess pilot program results for the central payment of lodging costs through the SmartPay program, and expand on a departmentwide basis if desirable.

Improving Prompt Payment Performance

Acknowledging the need to improve the Department's prompt payment performance, Interior created a departmentwide team to determine the causes of late payments. After analyzing the payment process, four areas were identified as critical to achieving significant improvement. The areas identified were reviewed and discussed on a departmentwide basis with the sharing of best practices. The areas identified were:

- Reporting and quality control tracking.
- Updating guidelines and providing additional staff training.
- Identifying large dollar volume vendors; recurring payments, and/or utilizing fast pay.
- Improving processing (including front-end procurement processing, communication between procurement and finance staff), and field offices (for remote data entry).

Moreover, each bureau submitted a plan that: (1) identified the problems impacting prompt payment performance; (2) listed corrective actions; and (3) provided a timetable for reaching the Department's goal. To measure progress, bureaus are required to submit monthly progress reports to the Office of Financial Management.

FY 2000 Accomplishments

As of September 30, 2000, Interior had achieved an overall 97.3 percent rate of invoice payments not requiring interest penalties under the Prompt Payment Act (see *Exhibit 8-1*).

Planned Actions

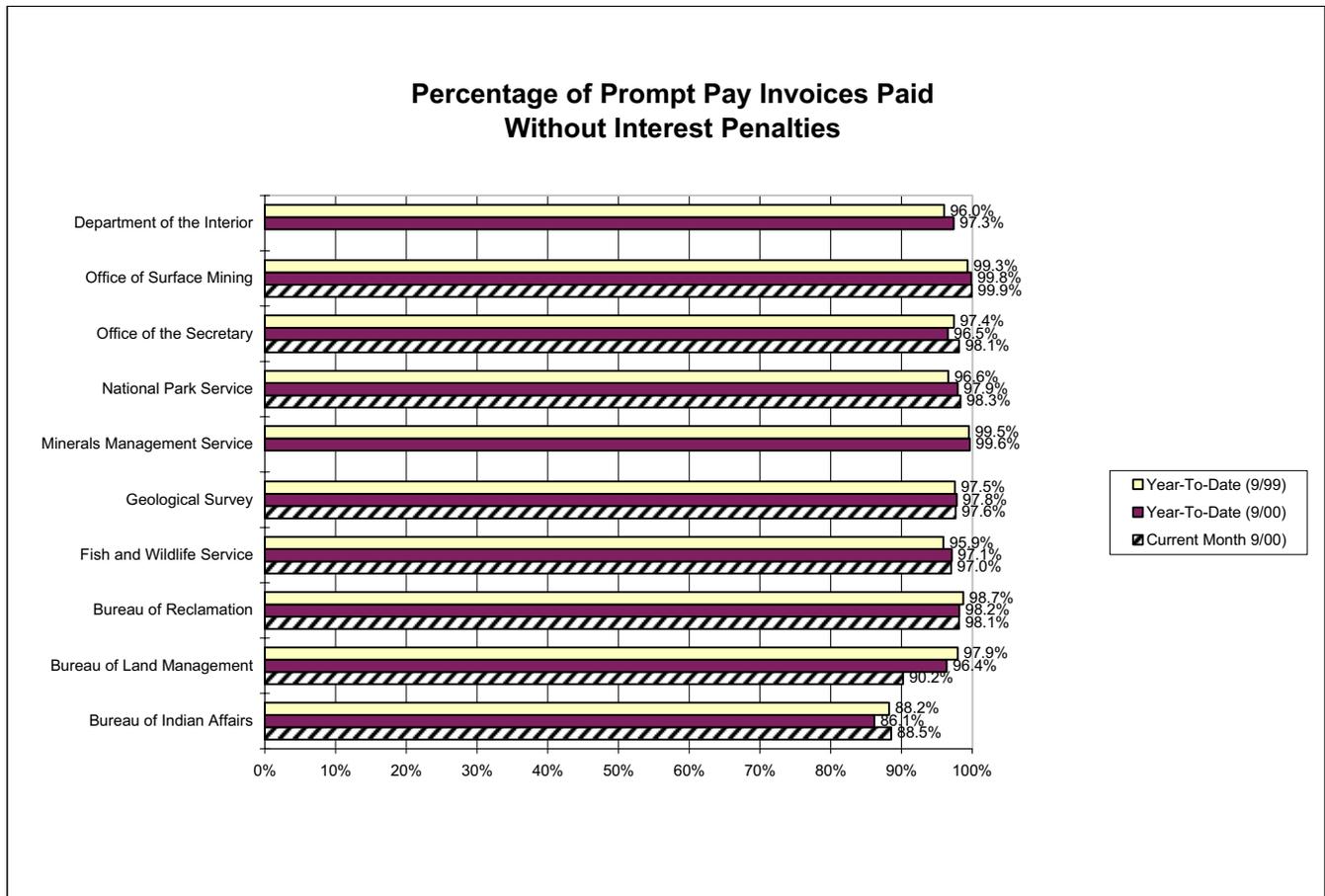
Ongoing Activities

- Continue to collect monthly prompt payment reports from the bureaus to monitor performance. If results are unsatisfactory, the Department will take corrective actions.
- Help reduce the number of interest penalties and increase the use of electronic payment mechanisms by increasing the use of purchase cards and paying more invoices under "Fast Payment" procedures.

FY 2001 Planned Activities

- Continue to closely monitor bureau performance until each bureau is consistently able to pay at least 97 percent of all payments on-time without incurring interest penalties.

Exhibit 8-1



Reducing Delinquent Charge Card Accounts

Acknowledging the need to improve the Department's performance in the area of 60 days and over delinquent charge card accounts, Interior has created a departmentwide goal to reduce the delinquencies to one percent. After analyzing the options, four areas were identified as critical to achieving significant improvement. The areas identified were:

- Reporting of delinquencies (including charge-off accounts) to management on a monthly basis.
- Providing additional approving official and employee (traveler) training.
- Identifying former employees to the charge card contractor and excluding former employees from the Department's performance to goal.
- Implementing salary offset for recovery of delinquent charge card accounts based on a request from the contractor.

Planned Actions**Ongoing Activities**

- Continue to issue monthly charge card delinquent debt status reports to the bureaus. If results are unsatisfactory, the Department will take corrective actions.

FY 2001 Planned Activities

- Reduce the amount of 60 days and older delinquent charge card accounts to one percent of the total outstanding balance by bureau (excluding former employees).
- Institute improved management reporting by including charge-off accounts and removing former employees of the Department.
- Implement salary offsets to recover delinquent charge card debt.

Maximizing Opportunities for Utilizing Electronic Commerce

Interior has continued to aggressively pursue the mandate to streamline procurement through the use of Electronic Commerce (EC) by implementing EC capabilities in all major buying offices and many small field offices in the Department. This is part of the successful implementation of the Interior Department Electronic Acquisition System (IDEAS) project (see Chapter 3) for automation of procurement functions and the developing capabilities of the EC21 project, focusing on electronic payments. The IDEAS project is fully implemented in all major buying offices of the Department and is being further enhanced in coordination with bureau and client agency users.

Electronic commerce capabilities available through IDEAS and EC21 include solicitation, awards, notifications, invoices, receiving reports, data reporting, and payments. Purchase card transactions are a major part of the Department's move to electronic commerce. Card transactions have increased from 96,000 in FY 1993 to over 990,000 in FY 1999, a ten-fold increase. Dollars awarded through purchase cards in the same time frame increased from \$17 million to \$312 million, an 18-fold increase.

In FY 1998, 76.9 percent of all small purchase actions under \$25,000 and 40.5 percent of the dollar value of all such actions were made with the purchase card. In FY 1999, these percentages increased to 88.3 percent and 52.7 percent respectively. The Department has a long-term goal of 90 percent of all purchases over \$2,500 made with a purchase card. Recent statistics from the Financial Implementation Team for EC indicate that the Department has already achieved 92 percent rate

Planned Actions**FY 2001 Planned Activities**

- Continue with an integrated card solution for the purchase, travel, and fleet business lines under GSA's new SmartPay program.

- Continue with outsourcing the responsibility for charge card transaction processing to Bank of America.
- Provide web-based access for transaction information to our 55,000 purchase, travel, and fleet card holders.
- Continue consolidating the account setup and maintenance functions for the travel, purchase, and fleet business lines.
- Continue automating the reconciliation process for centrally-billed accounts.
- Continue implementing an automated interface for all charge card transactions to the Department's accounting systems.
- Develop the necessary electronic exception reports to preserve the financial integrity of programs.
- Maintain a daily pay capability.
- Work to increase usage of web-based electronic commerce by all remaining major purchasing offices.
- Continue efforts to implement the electronic payment requirements of the Debt Collection Improvement Act of 1996.
- Continue to participate in the governmentwide effort to standardize federal grant payment systems. By October 1, 2000, bureaus will offer grantees a choice of grant payment either via agency proprietary system or by one of two grant payment systems designated for agency use—Treasury's Automated Standard Application for Payments System or the Department of Health and Human Services' Payment Management System.
- Assess the additional capabilities of the new charge card contract and determine which features to implement, including smart card features.

Shared Service Organizations

The Department provides commonly required administrative products and services to Interior and non-Interior clients through shared service operations. The National Business Center (NBC) and the Minerals Management Service (MMS) provide critical shared services to various Interior bureaus. In addition, the Interior Franchise Fund (IFF) provides selected services to non-Interior customers. The IFF uses both the NBC and MMS as service providers.

National Business Center

The National Business Center is located within the Office of the Secretary (OS) of the Department of the Interior and is responsible for providing financial and administrative services and support on a national level to the OS, Interior bureaus and offices, and numerous other federal agencies. The NBC serves as host to a variety of Interior administrative

systems, supporting the functions of personnel, payroll, finance and accounting, procurement and contracts, and property management. In this regard, it facilitates the use of both contractor and government-owned systems for its clients. The NBC operates as a direct service provider and/or a facilitator for the use of contractor systems and services. Specifically, the NBC provides federal payroll and personnel processing systems and services; federal financial management systems and services; acquisition systems and services; human resources services; information resource management systems and services, including a full complement of computer center operations; telecommunications; printing and reproduction; property management; transportation services; facilities management; quarters management; Web site development and maintenance; performance support products and services, such as web-based training, technical training for NBC applications, and organization development services, such as facilitation and team building; and specialized employee services such as security clearances, medical services, drug testing, worker's compensation case management, and the accessibility technology center. The DOI University (DOIU) is also located in the NBC. The NBC operates on a full cost-recovery business basis.

FY 2000 Accomplishments

- The NBC successfully orchestrated test plans on its mission critical supported systems, i.e., the Federal Personnel Payroll System (FPPS), the Federal Financial System (FFS), and the Interior Department Electronic Acquisition System (IDEAS), in order to achieve a successful Year 2000 transition. This was a tremendous effort from a systems and data center perspective.
- The NBC deployed FPPS 2000 initiatives to enhance the personnel and payroll services. The FPPS Datamart, which contains FPPS data for user query purposes, was implemented on January 31, 2000. A Time and Attendance Input System has also been implemented for a small number of clients.
- The NBC is a participant in the Department's Federal Human Resources Information System (FHRIS) project. Phase I of the project, completed in September of 2000, was to "federalize" the SAP commercial human resources (HR) package and evaluate its effectiveness. A contract was awarded to ICRC Energy, Inc. to augment the FPPS with the commercial SAP HR package. A separate contract was awarded in June of 2000 to Booz-Allen and Hamilton to provide a cost/benefit analysis of the SAP HR product interfaced with the FPPS.
- The NBC and the Interior Fire Coordinating Committee signed a Memorandum of Understanding for the NBC to offer payroll services to all Department of the Interior emergency firefighters (EFF) beginning in January 2001. The U. S. Forest Service, part of the Department of Agriculture, has also signed up to participate in the EFF program. A dedicated program office has been established within the NBC to support current and future firefighter applications as well as interfaces with other firefighter programs.
- The NBC began providing accounting services to the Department of the Treasury's Office of Inspector General.

- The NBC implemented an interface between the International Trade Administration's (ITA) FFS application and the Department of State's foreign payment activities. The interface includes foreign payroll, travel, and commercial payment transactions from all ITA overseas locations.
- The NBC completed the conversion of the Drug Enforcement Administration's Aviation property system to the Federal Financial System's Enhanced Fixed Assets Subsystem. This marks the completion of four out of eight property systems scheduled to be implemented by the NBC over a multi-year time frame.
- The NBC successfully implemented Phase I of a Momentum implementation for the Architect of the Capitol (AOC). Momentum is a client-server commercial-off-the-shelf accounting software package supported by the NBC. Phase I encompassed bringing the AOC up on the Momentum General Ledger. AOC is the NBC's second Momentum client.
- Several initiatives were accomplished dealing with the Department's bankcard interface to FFS. The NBC implemented a new release of the bankcard interface programs in conjunction with the FFS Release 5.1.7D. Work began on developing a centralized database to track and report Electronic Account Government Ledger System (EAGLS) issues. The Office of Inspector General was implemented as a separate bankcard entity in their own FFS application.
- The NBC modified the Department's Bank of America interface so that it could be used for non-Interior clients. The interface can now be used for Citibank and Mellon Bank.
- In FY 2000, the NBC continued its support in the preparation of FY 2000 financial statements for each of the nine Interior bureaus and the consolidated financial statements for the Department using Hyperion Enterprise. A significant development in FY 2000 was the evaluation, purchasing, testing, and successful deployment of a new operating environment to support the entire financial statement preparation process. This new environment is based on Citrix System's thin-client architecture and Microsoft's Windows Terminal Server operating system. This thin-client environment provided managers with faster implementation of new applications and faster access for end users.

FY 2001 Planned Activities

- Consolidate all computer workload on the NBC mainframe located in Denver, Colorado. The workload currently on the U. S. Geological Survey's mainframe in Reston, Virginia, will be transferred to the Denver mainframe. The consolidation is scheduled to be in effect on January 15, 2001.
- Implement a web-based version of Travel Manager Plus along with an automated interface to FFS. Employees will be trained to input vouchers into Travel Manager Plus which will route the vouchers to supervisors for approval and subsequent input into FFS. Employees will be paid 2-3 days after the submission of vouchers. The NBC has a providers license from Gelco, the system owner of Travel Manager Plus, to cross-service clients using this product.

- Have the Department's version of the Federal Financial System certified by the Joint Financial Management Improvement Program (JFMIP). This will be the first time that a federal government franchise organization has applied to take the JFMIP test that requires a vendor to pass 100 percent of the JFMIP mandatory core financial system requirements. In the past, only private sector financial software vendors such as the American Management Systems, Inc., Oracle, PeopleSoft, and SAP were JFMIP certified. Passing the test will allow the NBC, along with private sector vendors, to be included on the General Services Administration's FMSS Schedule.
- Evaluate user requirements for time and attendance (T&A) systems. Among the systems being evaluated is the current FPPS T&A data entry system and the NBC's Quicktime T&A data entry system. Quicktime is currently being used by numerous NBC clients. The Social Security Administration will be piloting the product during FY 2001.
- Continue the Federal Human Resources Information System (FHRIS) project during FY 2001 and task ICRC and SAP to showcase several functional areas by implementing them in a production mode throughout the NBC.
- Implement the Federal Financial System at the Farm Credit Administration (FCA) and the Farm Credit System Insurance Corporation (FCSIC). FCSIC is planning a January 1, 2001, conversion and FCA is planning a June 1, 2001, conversion.
- Complete Phase II of the Momentum implementation for the Architect of the Capitol. This will complete the two-year AOC Momentum implementation.
- Implement the Federal Financial System's Enhanced Fixed Assets Subsystem at the Drug Enforcement Administration for four of its personal property systems. Administrative Property is scheduled to be converted in the October/November 2000 time frame. Firearms and Shields, Technical Equipment, and Vehicles systems are scheduled for implementation later in the fiscal year.
- Upgrade the Hyperion Enterprise software to version 5.1, upgrade the Windows operating systems to Windows 2000, and deploy a web site for central access to all project applications, guidance, and resources.
- Enhance all Electronic Commerce Offerings. Items under consideration are adding additional contract types, receiving banking information from vendors, and incorporating the ability to share contracts across agencies.
- Continue work on the NBC's electronic commerce product, EC21, or Electronic Commerce for the 21st Century. The ability for vendors to submit electronic invoices over the Internet via Invoice 21 will be unveiled during FY 2001.

- Continue to improve and enhance the Department's bankcard card system. FY 2001 initiatives include completing the development and implementation of the tracking database, modifying the interface programs to support intra-governmental eliminations, providing 1099 data to the bureaus, developing an Internet-based EAGLS Reporting Tool and providing applicable training, and organizing and conducting a Department bankcard training conference.

Interior Franchise Fund

In 1996, the Department was authorized by OMB to establish, pursuant to the Government Management Reform Act (GMRA) of 1994, one of six franchise fund pilot programs within the federal government. The objective of the franchise fund pilot program is to ultimately reduce the cost of government to the taxpayer by providing commonly required administrative products and services to other federal agencies on a competitive, fee-for-service basis. The Interior Franchise Fund (IFF) carries out this responsibility by relying upon a network of service provider organizations. The current service provider organizations (Office of the Secretary's National Business Center and the Minerals Management Service) strive to operate in an entrepreneurial manner, consistent with OMB's "Twelve Business Principles" and can rapidly cross service other agencies via interagency agreements. With the service providers' support, the IFF offers a suite of competitively priced administrative systems and related support services, administrative operations, and general administrative services that are responsive to customers' needs and budgetary constraints. With four full years of experience, the IFF has made impressive progress towards meeting the objectives of the franchise pilot program. The Department continues to work closely with OMB and the governmentwide Chief Financial Officers' Council to ensure the continued development of a high quality pilot program for franchise services.

The IFF provides support to customers in the following areas:

- Administrative systems and systems support (financial management systems software and support; procurement systems software and support; property management systems software and support; time and attendance systems software and support)
- Administrative operations (procurement operations; accounting operations; personnel operations)
- Independent verification and validation
- Electronic commerce
- Drug and alcohol testing
- Films and video productions
- Cooperative administrative support unit (copier placement program; cost per copy; temporary help (professional, technical, medical, clerical); moving; mail delivery; recycling; secured warehouse storage; wellness facility; interpreters (sign and linguistic); employee assistance program; court reporters; EEO investigations; training)

FY 2000 Accomplishments

- Increased customer orders from 304 in FY 1999 to 1,114 in FY 2000, resulting in an increase of 266 percent. No instances of dissatisfied customers leaving the IFF for another service provider have been recorded.
- Increased revenues from \$43.7 million in FY 1999 to \$114 million for FY 2000, resulting in an increase of 160 percent.
- Accumulated approximately \$635,000 in retained earnings and prepared plans for the allocation of retained earnings as reserves for operations and reserves for improvements.

FY 2001 Planned Activities

- Continue to improve the business planning process for each of the IFF business lines which includes marketing strategies, pricing analyses, and performance measures.
- Continue to evaluate customer satisfaction and the quality of products and customer services.
- Continue to explore new products and services and "R & D" activities aimed at leveraging cutting-edge technologies to take maximum advantage of future opportunities.
- Continue the effort to provide one-stop shopping for most commonly required administrative services.

Improving Electronic Communication

The Office of Financial Management (PFM) has embraced the Internet as an efficient and cost-effective means to electronically publish and disseminate critical financial management information to customers. In March 1996, PFM established a home page on the Internet (<http://www.doi.gov/pfm>). The development of the web site (see *Exhibit 8-2*) and use of Internet-based tools demonstrates PFM's commitment to use information technology to streamline financial services. Currently, the Office of Financial Management web site comprises approximately 3,000 files and includes the following information:

- Office of Financial Management organization and staff directory
- Financial administration and financial statement guidance memoranda
- Departmental reports
- Bureau reports
- Departmental financial statements
- Management accountability and control
- Travel information
- Financial management training courses and events
- Other resources
- Links to other financial management web sites

Exhibit 8-2



FY 2000 Accomplishments

- Created a web site for the travel policy section of the Departmental Manual.
- Created a web site that electronically registered approximately 85 people for the FY 2000 Financial Statement Preparation Seminar.
- Created web sites for the Travel Management Center and the Transportation Subsidy Programs.
- Added interactive feedback forms to various pages on the Office of Financial Management web site.
- Published the Department's FY 1999 Annual Accountability Report.
- Published the Department's FY 2000 - FY 2004 Financial Management Status Report and Strategic Plan.
- Published other financial management documents as required (e.g., training, travel, policy documents, management accountability and control, financial statements, relocation, etc.).

Planned Actions

FY 2001 Planned Activities

- Publish the Department's FY 2000 Annual Accountability Report.
- Publish the Department's FY 2001 - FY 2005 Financial Management Status Report and Strategic Plan.
- Publish other key financial documents to the Office of Financial Management web site and intranet.
- Work closely with FinanceNet to improve the delivery of government services by reducing sales and information distribution costs. As a member of FinanceNet's Technical Working Group, PFM works in partnership with other federal financial management offices to facilitate access to government information.
- Expand the use of electronic technology to reduce/eliminate paper drive inputs/outputs.