

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 re-engineering 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.
- Re-writing 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, the Department has worked cooperatively with the U.S. 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 2001 Accomplishments

- Implemented Goals II (August 2001) and IPAC (September 2001).
- Performed an in-depth review of the Department's cash collection processing. The review covered all field offices from receipt of funds through the proper application of the payment in the appropriate fund account.
- Began using Pay.Gov for royalty payments for the Mineral Management Service's Royalty Management Program.

Planned Actions

- Continue to use the Plastic Card Collection Network (PCCN) and Automated Clearing-house for collecting funds due the Department.
- Continue the use of Pay.Gov and expand its use for royalty payments for the Mineral Management Service's Royalty Management Program.

Improving Payment Processes

In performing its basic missions, the Department 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), and involve an equally broad and growing array of available alternative payment mechanisms which include U.S. Treasury checks, third party drafts, electronic funds transfers, and charge cards. The Department is seeking to improve its internal controls over payments and minimize any improper payments.

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 increased substantially in recent years, to an annualized level of approximately \$600 million in 2001. The growth trend in the use of charge cards is expected to continue during the next five years. In addition to the decrease in finance and field 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 late payment penalties associated with the Prompt Payment Act; substantially improved the Department's EFT performance in complying with the Debt Collection Improvement Act of 1996; reduced the number of procurement activities; and, has provided additional benefits through volume-based charge card refunds which accrue to the Department.

The Department continued to expand and improve its implementation of the SmartPay charge card program in FY 2001 by improving and maintaining the electronic interface to its financial systems to support daily invoicing and daily payment. As the largest fully integrated charge 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 2001 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.
- Received the Business Solutions in the Public Interest award for the SmartPay Program.
- Continued to make progress in compliance with electronic funds transfer (EFT) and taxpayer identification number requirements of the Debt Collection Improvement Act of 1996 (DCIA).
- Continued use of a departmental electronic funds transfer tracking system to measure progress towards increasing the number of payments made electronically. As of June 30, 2001, 82.4 percent of vendor payments were made via EFT, an increase of 5.9 percent over last year.
- Began a process to determine the reasons for and to minimize improper payments from occurring. If an improper payment does occur, pursue recovery of the amounts over paid.

Planned Actions

- Pursue additional opportunities for streamlining and re-engineering administrative functions. Potential areas include:
 - Increase use of electronic malls for purchasing.
 - Additional streamlining of the travel process through direct (central) payments.
- Continue to 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.
- Continue to participate in the governmentwide effort to standardize federal grant payment systems. Interior bureaus will begin preparations to convert to one of two governmentwide grant payment systems: Treasury's Automated Standard Application for Payments System or the Department of Health and Human Services' Payment Management System). Implementation is scheduled to be completed by October 1, 2002.

- Institute a performance measurement process to identify the number and amount of improper payments.

Preventing Erroneous Payments

The President's Management Agenda identifies erroneous benefit and assistance payments as a governmentwide issue. OMB Circular A-11 defines "Erroneous payments" as payments made under the programs listed in Exhibit 57 that should not have been made or were made for an incorrect amount. Examples of erroneous payments include payments to ineligible persons or the wrong organization, payments in the wrong amount, payments for ineligible services, duplicate or other overpayments, and payments for services never received. Erroneous payments may be due to procedural or administrative errors made by the payor (e.g. providing incorrect account numbers in payment instructions) or errors or fraud by payees or claimants (e.g., under reporting of income by beneficiary). Covered payments included overpayments and underpayments made by the federal government, its direct contractors, and by States or to other grant recipients administering federal program. (Source OMB Circular A-11 Section 57).

Although the Department does not have any programs identified in Exhibit 57, the Department makes financial assistance payments under a variety of programs and makes payments to vendors for goods and services. Interior does not make recurring entitlement payments.

Based on the Department's initial assessment, we are not aware of any major problems with erroneous payments. However, from time-to-time duplicate payments or payments in the wrong amount may be made. In such cases, we pursue collection of identified overpayments.

Planned Activities

In order to better assess the Department's performance in the area of erroneous payments Interior has established a goal to have not erroneous payments. Specifically, the Department has established the following objectives:

- *Financial Assistance Programs:* The annual target for payments made to external parties associated with Interior's Financial Assistance programs will be to maintain adequate controls over Federal Assistance payment processes to ensure any erroneous payments are kept below .05% of the program area as measured by audit disallowances and 60% of the disallowances are returned to the government.
- *Non-Financial Assistance Payments:* The target related to non-financial assistance payments will be to increase the number of pre-audit and post-audit programs related to employee or vendor payments to better monitor these activities beyond the single program for GBL payments.

These measures will be monitored and adjusted as necessary to appropriately respond to the intent of the President's Management Agenda.

Continuing to Improve 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 as follows:

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

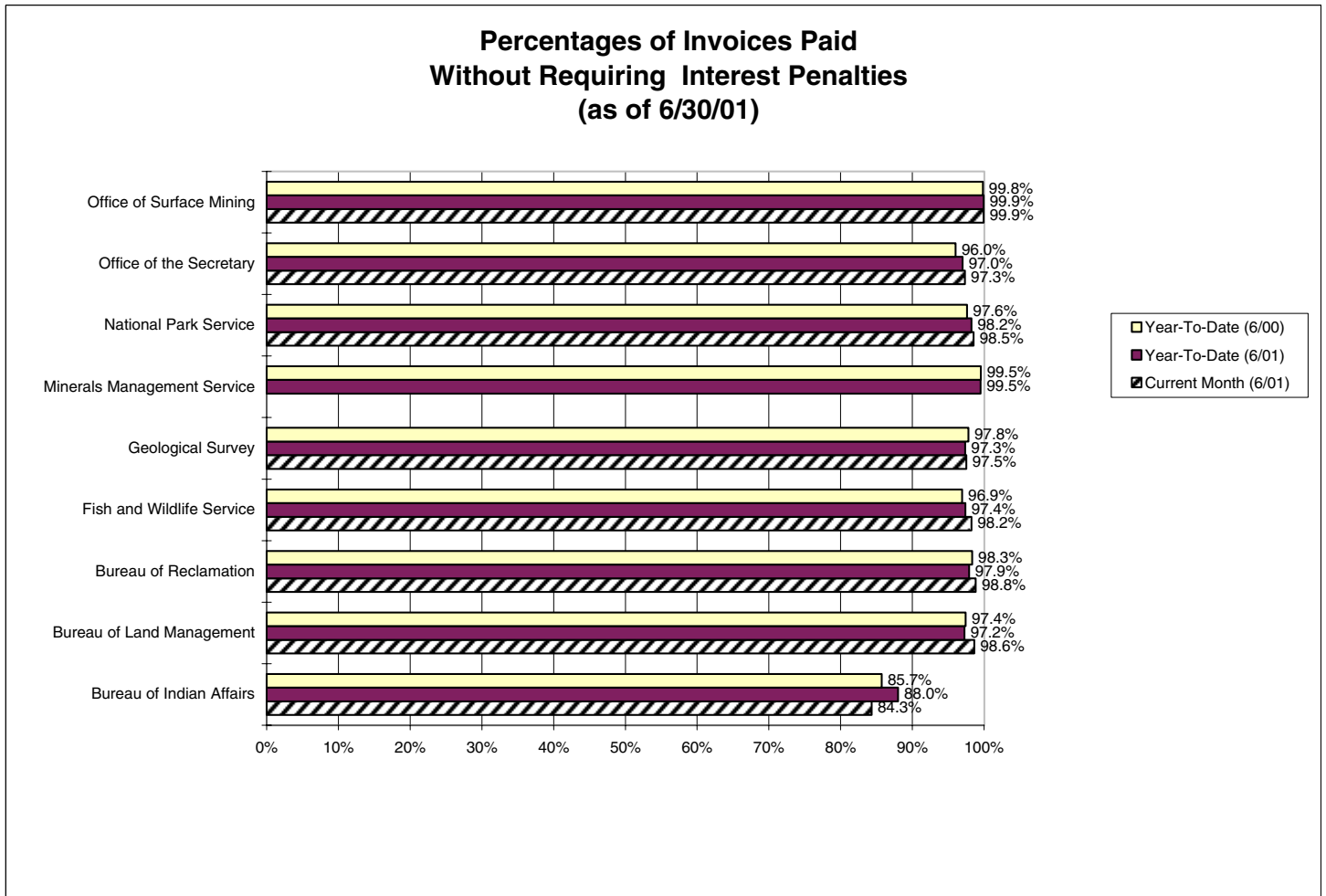
FY 2001 Accomplishments

- As of June 30, 2001, the Department achieved an overall 98 percent rate of invoice payments that do not require late penalties under the Prompt Payment Act (see *Exhibit 8-1*).

Planned Actions

- Continue to collect monthly prompt payment reports from the bureaus to monitor performance. If results are unsatisfactory, the Department will take corrective actions.
- 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.
- Continue to closely monitor bureau performance until each bureau of the Department is consistently able to pay at least 97 percent of all payments on-time without incurring late penalties required by the Prompt Payment Act. Five of the Department's nine bureaus have consistently been able to achieve a greater than 97 percent on-time payment history.

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 2 percent. After analyzing the options, four areas were identified as critical to achieving significant improvement. The areas identified were as follows:

- Monthly Reporting of Delinquencies (including Charge-Off accounts) to Management
- 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 goal.
- Implementing salary offset for recovery of delinquent charge card accounts based on a request from the contractor.

FY 2001 Accomplishments:

- Implemented salary offset for recovery of delinquent charge card accounts based on a request from the contractor.
- Implemented improved management reporting by including charge-off accounts and removing former employees of the Department.

Planned Actions

- Continuing to collect monthly prompt payment reports from the bureaus to monitor performance. If results are unsatisfactory, the Department will take corrective actions.
- Continue to reduce the amount of 60 days and older delinquent charge card accounts to 1% of the total outstanding balance by bureau (excluding former employees).
- Investigate the use of payroll offset from an employee's final paycheck as a method to collect as much delinquent charge card debt as possible.
- Strengthen exit clearance processing to close charge card accounts and attempt to get the employee to pay any outstanding amount to the charge card contractor.

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 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. Transactions in this mode have increased from 96,000 in FY 1993 to over 1.2 million in FY 2000, an increase of more than twelve-fold. Dollars awarded through purchase cards in the same time frame increased from \$17 million to \$392 million, an increase of more than 23-fold.

In FY 1999, 87.1 percent of all small purchase actions under \$25,000 and 51.2 percent of the dollar value of all such actions were made with the purchase card. In FY 2000, these percentages increased to 94.4 percent and 65.4 percent respectively. The Department has a long-term goal of 90 percent of all purchases under \$2,500 made with a purchase card. By reaching 94.4 percent of all purchase transactions of \$25,000 or less done by purchase card and electronic purchase orders, Interior has surpassed its original goal of such actions by EC.

FY 2001 Accomplishments

- Increased electronic management and oversight of the SmartPay Program (commonly called the DOI Integrated Charge Card Program) through a partnership between the Interior travel, acquisition, and property programs with Bank of America.
- Implemented five new on-line management control reports (five additional reports are expected to be fully operational in late FY 2001).
- Received approximately \$6.1 million in rebates, an increase of about \$2 million over FY 1999.
- See Chapter 3, page 25, for IDEAS accomplishments.

Planned FY 2002 Actions

- 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 the Bank of America.
- Provide Web-based access for transaction information to Interior's 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.
- Strive to increase usage of Web-based electronic commerce by all remaining major purchasing offices.
- Implement IDEAS-EC link to the designated governmentwide point of entry for all required solicitations and synopses.
- 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 (NBC) is the result of merging three administrative service centers in three different bureaus into one service provider located within the Department. The NBC provides services related to such automated systems as the Federal Personnel Payroll System (FPPS); Federal Financial System (FFS); Fixed Assets and Inventory Subsystems; Interior Department Electronic Acquisition System (IDEAS); Federal Procurement Data System (FPDS); electronic commerce, electronic time and attendance system (QuikTime); mainframe timesharing; and Internet publishing. The NBC also provides accounting services, including operational reviews, requirement analysis Treasury reporting, training, and quality assurance; transportation and travel services; property management services; mail management services; printing and graphics services; information resources management systems and services; document management services; telecommunications; quarters management; facilities management services, including space planning, leasing and alteration services and building maintenance; acquisition services; training and development services through four learning centers managed by the DOI University; and specialized employee services such as security clearances, medical services, drug testing and Office of Workers' Compensation Programs (OWCP) case management. The NBC operates on a full cost-recovery business basis.

FY 2001 Accomplishments

- Implemented the Federal Financial System (FFS) at three new non-Interior clients and one Interior client during FY 2001. Specifically, the NBC began FFS cross-servicing functions for the Farm Credit Administration (FCA), the Farm Credit System Insurance Corporation (FCSIC), the Treasury Inspector General (IG), and the DOI Inspector General (IG).
- Consolidated all of the workload on the U.S. Geological Survey's mainframe in Reston, Virginia to the NBC mainframe in Denver as of January 2001.
- Received certification from the Joint Financial Management Improvement Program (JFMIP) for the Department's version (DICAST) of the Federal Financial System (FFS). This was the first time that a federal government franchise organization actually applied and passed the JFMIP software certification test for financial management systems.
- Upgraded Hyperion Enterprise software version 5.5. A Web site was also developed and deployed for central access to all project applications, guidance, and resources.

- Implemented the FFS's Enhanced Fixed Assets Subsystem at the Drug Enforcement Administration (DEA), replacing four of their personal property systems. DEA's administrative property system was also converted to the Enhanced Fixed Assets Subsystem.
- Began Phase II of the Momentum implementation at the Architect of the Capitol.
- Implemented a Web-based version of Travel Manager (TM) along with an automated interface to FFS as an NBC pilot. Employees were trained to input travel vouchers into TM which routes the vouchers to supervisors for approval and subsequent input into FFS. Employees are now paid 2-3 days after the submission of their vouchers. The NBC has obtained provider licenses from Gelco, the system owner of TM, to cross-service clients using this product.
- *Electronic Commerce:* The NBC completed an electronic system that allows on-line credit card payment processing. This Web application records and preserves all transaction data for review and reporting; adds, modifies, and deletes application users; controls user access privileges; and allows for custom report building of transaction data. The major benefits of this application are (1) it decreases processing costs for credit card transactions; (2) is completely Web-based and portable and (3) virtually no training is required to use it.
- *Electronic Invoices:* The NBC continued to design and implement Electronic Commerce for the 21st Century (EC21). EC21 functionality was increased by the addition of the electronic receipt of Federal Express invoices as the first step in being able to receive all shipping invoices from companies who ship for the Department. This was placed into production at the U.S. Geological Survey as a pilot bureau. NBC also began adding a capability for telephone invoice receipt for telephone bills.
- *Helping volunteers:* As a service to citizens, NBC worked with the Office of Policy and Planning to design and prototype an e-Government, Web-based system that allows Interior organizations to post volunteer opportunities on a Web site; allows citizens to review these opportunities; and allows for the completion of on-line applications. Further, this system is being designed to allow all federal agencies to participate.
- *Communication of the National Fire Plan:* As part of an intergovernmental collaboration, the NBC developed an interagency Web site for the National Fire Plan, allowing better communication among various federal, state, and local entities involved in wildland fire response.
- *Helping citizens find recreational activities:* NBC, working with the Office of Policy and Planning, redesigned and continued to maintain the highly popular www.recreation.gov Web site, an award winning cross-agency Web portal that provides single-point access to all recreation opportunities on federal lands. This Web application was designed as a dynamic application that allows bureau and agency data stewards to access to and update their recreation information on-line. Additionally, the application includes an email robot designed by the NBC. This robot filters and directs email to various team members. Site usage is approximately 15,000 to 30,000 visitors per day. Current enhancements include interactive mapping and potential wireless access.

- *Accessibility:* NBC designed, developed, and deployed a Web site for the Department's Accessible Technology Center. The program supports employees with disabilities by determining the appropriate accessibility-enhancing technology and ergonomic solutions tailored to the needs of each individual. The site is hosted at <http://www.doi.gov/atc/> and is currently up and in production. The ribbon cutting ceremony for the opening of the facility was October 5, 2000. The NBC designed the entire system as well as tested all Web applications for Section 508 compliance.
- *Efficient dissemination of documents:* The Department's Electronic Library of Interior Policies (ELIPS) is a Web-based document management system. NBC worked with the Office of Policy and Planning to redesign ELIPS. ELIPS allows authorized users to upload policy directives and manage existing policy documents on-line via a Web browser. This application also includes automatic email routing, automatic scheduling for document revision and due dates, and a document archival system.
- Completed the Federal Human Resources Information System (FHRIS) project and tasked the ICRC and SAP to showcase several functional areas and implemented them in a production mode throughout the NBC.
- Modernized the FPPS by adding a commercial relational database to improve queries and reports, built a Windows-like graphical user interface (GUI), utilizing commercial-off-the-shelf (COTS) software that expanded its functionality and user friendliness.

Planned Actions

- Continue to improve the Department's credit card system. Specifically, the NBC will improve the quality and reliability of Bankcard data provided to the bureaus and will reduce the amount of reconciliation and research required by the bureaus.
- Add two new servers to the Hyperion Project for testing and load balancing. In addition, there are plans to upgrade the Windows Operating System for all Hyperion servers.
- Complete Phase 2 of the Momentum implementation at the Architect of the Capitol.
- Complete the DICAST/FFS implementations at the Nuclear Regulatory Commission (NRC), the International Boundary and Water Commission (IBWC), the Equal Employment Opportunity Commission (EEOC), the National Transportation Safety Board (NTSB), and the National Labor Relations Board (NLRB).
- Implement and convert DEA's motor vehicle property system to the FFS Enhanced Fixed Assets Subsystem.
- *On-line Credit Card Payment Processing:* The NBC plans to extend the government credit card receivables module (government as vendor of services) to allow citizens to purchase products on-line and use their credit card to pay. This will further extend the Department's use of credit card technology to improve the efficiency of accounts receivable.

- *Helping Volunteers:* As service to the citizen, complete and implement a system to allow all Interior organizations to post volunteer opportunities on a Web site, allow citizens to review these opportunities, and allow citizens to complete on-line applications.
- *Electronic Invoices:* The NBC will continue to design and implement EC21. Enhancements will increase system capabilities by adding the electronic receipt of various shipping- and telephone-company invoices. The NBC will also design and begin to implement other Web-based electronic-invoice capability, thus allowing any business to use an e-government process to bill the government for goods and services.
- Plans have been made by the NBC to implement the Travel Manager (TM) software throughout the Department in order to significantly reduce all the administrative costs associated with travel processing. TM pilot programs will be started and evaluated in each bureau before completing the implementation.
- Continue the Federal Human Resources Information System (FHRIS) project during FY 2002, adding functionality to better respond the ever-increasing needs of the Human Resources community.

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 through 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 almost 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, the governmentwide Chief Financial Officers' Council, and the Department's congressional committees to ensure the 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 System Software and Support);
- Administrative Operations (Procurement Operations; Accounting Operations; Personnel Operations);

- General Purpose Computing (Computer Timesharing);
- Independent Test Verification and Validation;
- Electronic Commerce;
- Training;
- Drug and Alcohol Testing;
- Audio Visual Center Services; and
- Cooperative Administrative Support Unit (Copier Placement Program; Temporary Help; Moving Labor; Mail Delivery; Recycling; Interagency Property Center (Warehouse Interagency Transfer); Interpreters (Sign and Linguistic); Employee Assistance Program (EAP); Bar Coding and Metering of Mail; Document Imaging; Equipment Rental; Laser Cartridge Recycling; Court Reporters; Computer Maintenance and Repair; Computer Training, etc.).

FY 2001 Accomplishments

- Customer orders increased from 1,103 in FY 2000 to a projected 1,500 in FY 2000, an increase of approximately 27 percent. There were no recorded instances of dissatisfied customers leaving the IFF for another service provider.
- Revenues increased from \$122 million in FY 2000 to a projected \$175 million in FY 2001, an increase of approximately 43 percent.
- Retained earnings balance increased from \$34,000 in FY 2000 to a projected \$1.2 million in FY 2001. The substantial increase is due to the achievement of business volume significantly in excess of the break-even point for variable expenses at the service provider level and fixed and variable expenses at the fund level.

Planned Activities

- Improve the business planning process for each of the IFF business lines which includes marketing strategies, pricing analyses, performance measures, and retained earnings analyses.
- Continue to evaluate customer satisfaction and the quality of products and customer services by asking existing customers what the IFF can do better and how, with lessons learned being incorporated into future tactical plans.
- Continue to explore new products, services, and activities aimed at leveraging cutting edge technologies and maximizing future opportunities.
- Continue the effort to provide one-stop shopping for most commonly required administrative services.

Minerals Management Service

The Minerals Management Services (MMS) operates as a service provider to the Interior Franchise Fund in three major categories. In the area of procurement support services, MMS provides a complete range of procurement services from inception to closeout (i.e., request for proposals through closeout of contracts). With regard to the human resources arena, MMS performs as a “full service” third party personnel office with management support services that include classification, recruitment, appraisal and awards management, employee/labor management relations, and employee development. MMS also maintains, configures, and operates an Information Technology Training Facility that may be used by other agencies on a fee-for-service basis.