

ASSOCIATION of GOVERNMENT ACCOUNTANTS

WASHINGTON CHAPTER NEWSLETTER

April, 1989

About Our Speaker This Month

M. Peter McPherson was confirmed as Deputy Secretary of the Treasury on August 6, 1987. As the Number Two person at Treasury, he is involved in the full range of issues in the Department. He has taken a special interest in Trade, Tax, and International issues. He was deeply involved in the Canadian Free Trade negotiations and is the Treasury member of the Farm Credit Assistance Board.

From 1981 to 1987, Mr. McPherson served as Administrator, Agency for International Development (AID). As Administrator, he was in charge of the U.S. response to the great famine in Africa in 1984-85 when the U.S. delivered more than 2 million tons of food to Africa over a 12-month period. The AID program involves missions in 70 countries, a staff of 5,000 and a budget of 6 to 7 billion dollars a year. He also served as Acting Counsel to the President in the early weeks of the Reagan Administration, and as General Counsel to the Reagan-Bush Transition.

Before joining the Reagan Administration, Mr. McPherson was a partner and head of the Washington office of an Ohio law firm. He served as Special Assistant to President Ford and Deputy Director of Presidential Personnel in the Ford White House. He has also served as a tax law specialist for the Internal Revenue Service and as a Peace Corps volunteer in Peru.

PLAN NOW TO ATTEND THE APRIL 26th SEMINAR ON THE YELLOW BOOK, AND THE MAY 2nd WORKSHOP ON OMB CIRCULAR A-127. SEE INSIDE NEWSLETTER FOR DETAILS.

Congratulations to our
Student Award Winners

April 6, 1989

WASHINGTON CHAPTER LUNCHEON MEETING TO FEATURE

M. Peter McPherson

*Mr. McPherson will discuss the Reagan legacy
and the challenges of managing small and
large Federal agencies.*

TOUCHDOWN CLUB

2000 L St., N.W.

(Near Farragut West Metro Stop)

Social Period: 11:30 a.m. (Cash Bar)
Luncheon: 12:00 p.m.
Cost: \$15.00 (Members)
\$17.00 (Non-members)

Reservations Recommended

Call 649-4399 thru April 4

NON MEMBERS WELCOME!

Next Meeting: May 4th

(NOTE: Student Awards will be presented at the
April 6th meeting)

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PRESIDENT'S MESSAGE



Diane M. Bray

"On and About AGA"

Last month I used the President's Message to inform Chapter members of the ongoing activities at the National level. I received many positive telephone calls and comments on the column. So back by popular demand, this month's column is on and about AGA at both the Chapter and the National levels.

Chapter

Education. The Chapter sponsored a joint conference with the American Association for Budget and Program Analysis on February 15, 1989. The conference, "Budget and Accounting: Can this Marriage Work?" was a tremendous success. The keynote speakers, Barry Anderson, OMB, and Fred Wolf, GAO, did not disappoint the audience with their debate on cash vs. accrual accounting. Special thanks to them and to all the conference speakers. The Chapter received many requests for a follow-up session and the American Association for Budget and Program Analysis has agreed to jointly sponsor the event with the Chapter in the fall. Mark your calendar for the following upcoming events. On **April 26, 1989**, the Chapter will sponsor a seminar on the **Yellow Book** from 9:00 to 1:30. Bill Broadus will chair a panel of experts to discuss CPE requirements, quality control reviews, and compliance auditing standards. The event will be held at the George Washington University, Marvin Center, 3rd floor ballroom. On **May 2, 1989**, the Capital Region of the Association of Government Accountants and the Financial Management Service, Department of Treasury, will co-sponsor the 2nd Annual Workshop on **Implementing and Maintaining Financial Systems--OMB Circular A-127**. The event will be held at the Washington Marriott Hotel. On **June 26-27**, the Association of Government Accountants will host the **Professional Development Conference** in Los Angeles, CA. For more information on these events, please call Mary Lee Mason on 535-9693.

Public Service. The **Volunteer Income Tax Program** is off to an excellent start--thanks to the efforts of Joyce Charles. Chapter members have agreed to volunteer their time to help low income, handicapped, and elderly individuals in Virginia, Maryland, and Washington, DC. Due to the success of the Chapter's **financial management course for small business owners** that was held in the fall, the Chapter will be repeating the course in late April. Lionel Henderson has agreed to

spearhead the effort again on the course. Interested people should contact Lionel on 982-2133 for more information.

Moderators and Monitors for the Professional Development Conference. The National Office has requested volunteers to serve as moderators and monitors for the Professional Development Conference at Los Angeles in June. If you are interested in serving in one of these positions and are registering for the Conference, please contact me on 695-0839 by April 15.

National

Newsletter Competition. Chapter Newsletters for October 1988 or February 1989 are the ones selected by the Publications Committee for consideration in the Newsletter Competition. Joe Donlon, Committee Chair, has indicated that a first place winner will be selected in each of the five chapter groups. Each winner will receive a \$25 cash award to be presented at the Professional Development Conference in Los Angeles. Honorable Mention Awards, recognized by a certificate, may be given in each group if they are merited.

History of AGA. A 40th Anniversary History Task Force, under the leadership of Past National President Fletcher Lutz, is working to produce the 40-year history of AGA in 1990. To support this effort, the History Committee, under the Chairmanship of John Cooley, is developing a procedure whereby recognition can be given to chapters celebrating a major anniversary at their chapter event at the annual Professional Development Conference. Each local chapter is asked to submit an annual history report to the National office.

Public Service Survey. In December 1988, the Public Service Committee conducted a survey about public service projects conducted by local chapters. The results of that survey are as follows:

- Volunteer Income Tax Assistance Program (VITA)--AGA Chapters provide tax assistance and prepare returns for the elderly, handicapped, and low income individuals during the months of February and April.
- Community Service--Toiletries, such as soap, disposable razors, shaving cream, toothpaste, shampoo and facial tissues are collected by a number of Chapters at their December meeting. These items are then delivered to charitable organizations in the community for distribution to those in need during the holiday season.
- Community Surveys--Chapters assist small businesses with bookkeeping or accounting services.
- Scholarship Programs--Scholarship programs are part of many Chapters' public service efforts. They are financed through pledges and fund-raisers, such as theatre outings,

**AGA WASHINGTON CHAPTER
Chapter Executive Council for 1988/1989**

OFFICERS

President

Diane Bray, DOD, 695-0839

President-Elect

Doris Chew, JFMIP, 376-5415

Secretary

Judith Boyd, DOD, 697-8281

Treasurer

Joel Dorfman, AY, 956-6273

Past President

Terry Conway, 391-0003

DIRECTORS

Public Service

John Cherbini, C&L, 822-5640

Chapter Awards

Roger Feldman, State, 647-7490

Chapter Bylaws & Procedures

Sue Fields, NIH, 496-3417

Student Awards

Carol Lynch, Education, 732-5610

Membership Services

Dan McGrath, FMS, 566-3717

Programs

Sam Mok, Treasury, 377-9322

Publicity & Agency Liaison

Joe Rothschild, HUD, 426-6493

Employment Referral

Joyce Shelton, DOT, 366-1306

Education

John Simonette, GAO, 275-5748

Newsletter

Anna Wilson, OPM, 632-7450

CHAIRPERSONS

Chapter Recognition

Jean Bowles, State, 875-6923

Coop. with Prof. Institutions

Larry Goode, AY, 956-6142

Assistant Chairs, Public Service:

Small Business Education

Lionel Henderson, CSC, 982-2133

VITA

Joyce Charles, Labor, 523-5906

Assistant Chairs, Education

Dave Holland, Interior, 343-6743

Mary Lee Mason, FMS, 535-9693

Coop. with Educational Institutions

Kenneth Konz, EPA, 382-4106

Ray Einhorn, Am. Univ., 885-1931

Legislative Tracking

Thomas Gilliland, FMS, 287-0669

Publications

Susan Lee, FMS, 535-9693

Chapter Advisory Council

Ron Lynch, AA, 862-3324

Research

Chuck McAndrew, Navy, 697-4422

Meetings

Judith Parson, OCC, 447-1721

Deatrice Russell, FMS, 535-9693

History

Paula Rubin, FMS, 535-9693

Budget & Finance

Mike Wenk, OMB, 395-3993

Newsletter

Bob Rogers, GrantThornton, 296-7800

John Wenstrup, Cong. Com., 224-6706

Christy Poindexter, HHS, 245-6041

Photographer

Chuck Zlamal, GAO, 275-9505

advertisements in a scholarship booklet, garage sales and raffles. Scholarships are awarded to finance and accounting students who meet predetermined criteria established by the Chapter.

- Career Day/Career Night--AGA Chapters participate in the career events held by local colleges and universities. Information is shared on careers in governmental financial management. *Note: The Chapter will be participating in two career day events at the George Mason University and the University of the District of Columbia. The successful efforts are being lead by Kenneth Konz and Ray Einhorn.*

-- Office of Minority Business Enterprise--This program assists in the education and development of minority business people through providing accounting courses and making material available on related topics.

-- Children's Rehabilitation Center Program--In this program a toy drive is conducted among members for the benefit of the Children's Rehabilitation Center during the Christmas season. In addition, the Center receives toys for their program from Campbell's Soup Company in exchange for labels collected. AGA members collect these labels on behalf of the Center. An Easter egg hunt is sponsored for the children at the Center.

Schedule of Upcoming Events

Date	Activity
April 6	Washington Chapter Luncheon Meeting (See front page)
April 7	The Washington International Financial Management forum will sponsor a luncheon from 11:30 to 1:30. The speaker will be James Bourn, Comptroller and Auditor General of the United Kingdom. The event will be held at the National Lawyers Club, 1850 H Street NW. Admission is \$15.00. For more information, call Audrey Dysland on 681-3836.
April 26	The Washington Chapter will sponsor a seminar on the Yellow Book from 9:00 to 1:30. Bill Broadus will chair a panel of experts to discuss the CPE requirements, quality control reviews, and compliance auditing standards. For more information, see page 5 of this Newsletter.
May 2	The Capital Region of the AGA and the Financial Management Service, Department of Treasury, will co-sponsor the 2nd Annual Workshop on Implementing and Maintaining Financial Systems--OMB Circular A-127. The event will be held at the Washington Marriott Hotel. For more information, call Joel Plavin on 535-9693 or see last month's Newsletter.
May 4	Last Washington Chapter Luncheon Meeting for the 1988/89 Season
May 15	Seminar on "Allocating Overhead Costs in Federally - Assisted Projects." 8:00 a.m. to 6:00 p.m. At the Bethesda Crowne Plaza. Cost \$95. Contact Theodore Glick on 376-5978.
June 26-27	Professional Development Conference in Los Angeles, CA.

COMMITTEE REPORTS

Nominating Committee Report - Notice of Election of Officers and Directors for the Year Beginning July 1, 1989

A ballot for the election of five Directors for the Chapter Executive Board of the Washington, D.C. Chapter can be found at the end of this article. In accordance with Article VI of the Chapter bylaws, the single slate of candidates for Chapter officers has been accepted and certified elected by the current Chapter Executive Board. If you are a member in good standing, you may vote for not more than five (5) nominees for directors. All ballots must be received by **April 21, 1989**. The results of the election will be announced at the Chapter luncheon meeting in May. *Please take time to vote!*

For President-Elect

JOYCE SHELTON - Member since 1972. AGA Service: Director, Employment Referral, 1987-89; Director, Cooperation with Educational Institutions, 1985-87; Member, Research Committee, 1984-85; served as moderator for Treasury/AGA workshop on agency reporting. She is the Director, Office of Financial Management at the Department of Transportation.

For Secretary

JUDITH FUERSTENBERG - Member since 1985. AGA Service: Member, Membership Committee, 1987-1989; assisted with PDC 1988; assisted Treasurer and Meetings Committee, 1988-89. She is also an active member of the Governmental Accounting and Auditing Committee, D.C. Institute of CPAs. She is a Project Director at the Joint Financial Management Improvement Program, detailed from the General Accounting Office.

For Treasurer

ROBERT ROGERS - Member since 1988. AGA Service: Assistant Editor, Newsletter 1988-89. Other Service: Member of the Board of Trade, Institute of Management Consultants, GFOA, Leadership Washington, Treasurer of the Burgundy Farm Country Day School, and founder and Treasurer of the Northern Virginia Minority Business and Professional Association. Bob is the Director, Federal Systems, with Grant Thornton.

For Directors

ALLAN CHANEY - Member since 1989. Allan recently moved to the Washington, D.C. area. At his previous job, he was a co-founder and chairman of the Bay Area Federal Financial Managers' Council. He is currently a consultant at Price Waterhouse.

JOYCE CHARLES - Member since 1986. AGA Service: Assistant Chair, VITA, 1988-89. She is active in several civic and community organizations and recently ran for a position on the Prince Georges County School Board. She is an Assistant Director, Office of Finance Management Audits within the Labor Department Office of Inspector General.

JOHN CHERBINI - Member since 1983. AGA Service: Director, Public Service, 1988-89; Co-chair, AGA National Task Force on Comparison of Financial Practices in Federal, State and Local Governments; Member, National PDC Technical Program Planning Committee, 1986. Received the Montgomery-Prince Georges Chapter Achievement of the Year Award in 1984. He is a Partner at Coopers and Lybrand.

LARRY EISENHART - Member since 1985. Larry is the author of a chapter on Federal Government Principles and Practices published in 1988. He spoke at several AGA conferences. He is the Director, Office of Financial Policy, Department of Health and Human Services.

LIONEL HENDERSON - Member since 1981. AGA Service: Assistant Chair, Public Services Committee conducting the small business education course 1988-89; participated with PDC Host Committee in 1988, Membership Award 1986. Other Service: Member of the AICPA and IIA; Treasurer, Alice Hamilton Occupational Health Center; VITA supporter; volunteer speaker on taxes and financial planning for schools and non-profit organizations. Lionel is the Accounting Director, National Flood Insurance Program, for the Computer Science Corporation.

WALLACE KEENE - Member since 1988. Although he has no AGA service, Wally has been speaker and chairman of workshops for Federal computer conferences from 1984-88. He is a member of adjunct faculty of American University since 1984. He was the Deputy Assistant Secretary for Finance at the Department of Health and Human Services from 1987-88. He is currently the Director for Information Resources Management at the National Aeronautics and Space Administration.

MARY LEE MASON - Member since 1976. AGA Service: Assistant Chair, Education Committee 1988-89; Chairperson, Awards Committee, 1987-88. She is also a member of the American Society of Military Comptrollers. She is a senior advisor for financial systems at Treasury's Financial Management Service.

DONALD RICHARDSON - Member since 1989. A brand new AGA member, Don is also a member of the AICPA. He is a senior manager in the Government Financial Services Practice for Peat Marwick and Main. He would like to assist in the Chapter's Student's Award Program.

PEGGY SMITH - Member since 1987. Peggy has been active with the DCICPA and AICPA. She has been very active with the Committee on Governmental Accounting and Auditing in the DCICPA where she served as secretary and conference chair from 1984-1986. She coordinated the technical program for a joint DCICPA/AGA/ASMC conference on current financial management issues in 1987. She is a consultant with Smith and Smith.

MICHAEL WENK - Member since 1988. AGA Service: Chair, Budget and Finance Committee, 1988-89; member of the National task force that reviewed transition issues in 1988-89. Other Service: instructor at the FBI Academy in courses on the budget process and the internal control program. Mike is on the Financial Systems Policy Staff of the Office of Management and Budget.

LARRY WILSON - Member since 1979. AGA Service: Member of the National AGA Federal Government Committee 1988-89. Other Service: member of the Chief Financial Officers Council; member of the CFO Executive Board; Chair of the Subcommittee on Central Agency Management. He is a member of the Federal Financial Managers Council and participates with the Institute of Financial Management Technologies, USDA Graduate School as a member of the Board of Directors and Personnel and Finance Committee. He is also active in the Worldwide Assurance for Employees of Public Agencies. Larry is the Director, Office of Finance and Management for the Department of Agriculture.

*** BALLOT ***

TO ELECT DIRECTORS FOR THE
CHAPTER EXECUTIVE COUNCIL,
WASHINGTON CHAPTER, 1989-90

You may vote for no more than five nominees
by placing an "X" in the blocks next to
nominees' names.

- ALLAN CHANEY
- JOYCE CHARLES
- JOHN CHERBINI
- LARRY EISENHART
- LIONEL HENDERSON
- WALLACE KEENE
- MARY LEE MASON
- DONALD RICHARDSON
- PEGGY SMITH
- MICHAEL WENK
- LARRY WILSON

Please place this ballot in an envelope and
send it to:

The Nominating Committee
AGA Washington Chapter
P.O. Box 423
Washington, DC 20044

BALLOTS MUST BE RECEIVED BY THE
COMMITTEE BY APRIL 21, 1989.

Washington Chapter Seminar on Yellow Book Revisions:
Progress and Current Issues

WHEN: April 26, 1989
Register & Coffee - 8:30 a.m.
Session & Lunch - 9:00 a.m. to 1:30 p.m.

WHERE: George Washington University
Marvin Center
800 21st Street, N.W.
Washington, D.C.

Metro: Foggy Bottom Station on the Orange & Blue Lines.

REGISTRATION: Advance Telephone Reservations:
(202) 649-4399 Judith Parsons or
(202) 275-5748 Audry Britton

Mail Completed Registration Form to:

AGA Washington Chapter
Attn: Education Committee
P.O. Box 423
Washington, D.C. 20044

Attendance at this Seminar can be approved under the Government Employee's Training Act. Nominations from Federal Agencies may be submitted by using OPM Standard Form 182, Request for Training. Reservations must be received by **COB April 21, 1989.**

Fee (Including Luncheon):

Advance Registration	
Members	- \$40
Non-Members	- \$45
Faculty & Students	- \$25

Registration at the door - Add \$10

PROGRAM OVERVIEW

- FOCUS:** Issues Arising from Implementing the New "Yellow Book" Requirements
- SESSIONS:**
- "An Overview of the Major Changes in the Yellow Book"
 - William Broadus, Jr., Director
Accounting Policy, U.S. General
Accounting Office
 - "Discussion of Practitioner Approaches, Opportunities and Problems When Implementing Major Yellow Book Changes"
 - Panelist:
 - Bert Edwards, Partner, Arthur Andersen & Company
 - Norwood Jackson, Jr., Deputy Auditor of Public Accounts, Commonwealth of Virginia
 - Terrell Ramsey, City Auditor, Richmond, Virginia
 - James Thomas, Inspector General, U.S. Department of Education
 - Luncheon - "The Committee's Agenda"
 - Dr. Len Weiss, Staff Director,
Senate Committee on Governmental
Affairs

Chapter Executive Committee Meeting for February 23, 1989

By Judith Boyd, Chapter Secretary

Call to Order

At 12:10 PM, the President, Diane Bray, called the meeting to order.

Secretary's Report

After opening the meeting and greeting the CEC, Diane asked for a motion to amend the November monthly minutes to show a revised budget figure for the Newsletter of \$10,000. The motion was made by Joe Rothschild and seconded by Sam Mok. The motion passed. A motion to approve the amended minutes was made by Bob Rogers and seconded by Chuck Zlamal. The motion passed. The motion to approve the January minutes was made by Sam Mok, seconded by Sue Fields and passed.

Treasurer's Report

The Treasurer presented the written report. Because we just received dues income from the National Office, the cash is understated by \$2,000. The income split on the Budget and Accounting Conference was also discussed. It was moved by John Simonette and seconded by Sue Fields that the Treasurer's report be accepted. The motion passed.

President-Elect Report

The President-Elect presented a list of nominees. The motion to approve the list was made by Sam Mok, seconded by Joe Rothschild and passed.

National Office Budget - Virginia Robinson

At the November 29, 1988 meeting of the NEC, there was an extensive budget review; over \$130,000 was cut from the budget. The largest portion of the cut expenses were for the PDC, Regional VP budgets, National Office travel expenses, and the various Committee budgets. The postage account was not cut.

Also, at the same meeting, ways were explored to raise revenues. It was planned that there would be 10 educational events, a Research Symposium, and a 2-day educational event called the Capital Region Educational Symposium which would be highlighted by an awards dinner. Various awards were suggested to possibly include a "Legislator-of-the-Year" award, a "Federal Investigator-of-the-Year" award, and an award for young people. Various proposals for the format, timing, and attire were suggested but not formally accepted.

It was agreed that a planning committee would be set up to explore the idea further. The 2-day conference would be planned by the National Office and the Capital Region. The

National Office would handle all of the administrative and logistical details. The National Office and the Capital Region would share the profits.

In summation, the National President-Elect stressed that the budget contained no new financial requirements of any local chapter.

Committee Reports

VITA - Virginia stated that this type of public service would be heavily emphasized next year.

Chapter Awards - Committee will be convened in the next 2 weeks. By March 10, the National nominations are due. The Chapter awards luncheon will be in early May.

Membership - 176 members are currently delinquent. As of 12/31/88, we had 1,024 members. Discussion ensued as to whether or not two copies of the monthly listing of members were needed by the chapter. Joyce Shelton asked if it would be possible to get floppies of the information.

President's Report

The Capital Regional Education Symposium Planning Committee's next meeting is on March 6. Diane needs our feedback to her letter so that she can present our thoughts to the Committee. She will provide periodic feedback to us from the Committee. The PDC needs monitors/moderators. If you wish to serve, notify Diane. She will send a consolidated list to National by April 15th.

Next Meeting

March 23, 1989 at 1525 Wilson Boulevard.

TECHNICAL TOPICS

Tax Refund Offset: A Program That Works

By Ernest Powers

What do you call a program that:

- returns \$150 for every \$1 invested?
- wins praise both from GAO and user agencies?
- is enthusiastically supported by the taxpaying public?
- has encouraged over 500,000 people to voluntarily pay debts owed Federal agencies?

The program can obviously be called successful, but technically, it's termed the Federal Tax Refund Offset Program. In less than three years, the program has recovered over \$872 million in delinquent debt, making it one of the government's most effective debt collection tools.

Tapping tax refunds to satisfy debts has been successful partly because refunds are numerous and often substantial. About 75% of all individuals filing a return receive a refund. In FY88, the average refund was nearly \$900.

Offsetting refunds was originally used to collect child support payments owed by absent parents. In 1984, however, the Deficit Reduction Act authorized a two-year pilot program to offset tax refunds to satisfy debts owed Federal agencies. Agriculture, Education, HUD, SBA, and VA were the initial participants, and seven more agencies (Defense, HHS, Justice, Treasury, Energy, Railroad Retirement Board, and Interior) have since joined the program.

The pilot program began in 1986. Offsets in that year totaled \$153 million; in 1987, with more agencies involved, the figure jumped to \$229 million. Pleased with the results of the pilot, Congress authorized continuation of the program through 1994. During eight months of 1988, the program collected \$237 million in offsets, exceeding the amount offset during all of 1987.

Refunds actually offset, however, are only part of the story. An agency must provide delinquent debtors notice of intent to refer their debt to IRS at least sixty days prior to the actual referral. At this point, many individuals voluntarily pay off the entire debt or establish a repayment plan with the agency. During the life of the program, voluntary payments have totaled over \$253 million.

Offsetting tax refunds is not a step that can be taken lightly, and elaborate precautions are taken to insure that the procedure is in full compliance with Federal legislation and regulations. The procedure normally begins more than a year before the offset, when agencies begin compiling delinquent debtor records. After assuring that normal collection procedures -- including use of demand letters, credit bureaus, and collection agencies -- have failed to recover debt, agencies perform tests of validity and enforceability. These include making sure the debt is not over 10 years old and the debtor is not in a state of bankruptcy.

Agencies can increase the amount of the debt (and the amount to be offset) by the administrative costs incurred in connection with referral of the debt to IRS.

Once the agency has compiled and certified the accuracy of its data on delinquent debtors, the IRS matches the data against its Individual Master File which contains the names of all taxpayers. When a taxpayer eligible for a refund is identified as a delinquent debtor, the IRS deducts the amount of the debt from the refund and notifies the debtor. If a tax refund in a single year is not large enough to repay the debt, the agency can refer the debt to the IRS the following year.

One key to the success of the program is that IRS can frequently provide a debtor's current address. Some debtors are successful in evading the collection efforts of agencies because residences are changed and no forwarding address is left. The same individual, however, will often put a correct address on a tax return, particularly if a refund is anticipated.

DEBTOR PROTECTION

Law and Federal regulations protect a debtor from unscrupulous collection techniques. This body of procedures is normally referred to as providing the debtor "due process." The 60 day notice of intent to offset has already been noted. This period affords the debtor an opportunity to present evidence that the debt is not enforceable or valid, inspect the agency records pertaining to the debt, and have the opportunity for administrative review by the agency.

Should the debtor not pay the debt or fail to exercise the "due process" right, the agency can properly certify to the IRS that the debt is valid and enforceable.

EXPANSION OF THE PROGRAM

To date, smaller agencies have not generally participated in the program, partly because of the difficulties of preparing magnetic tape. Treasury's Financial Management Service (FMS) has developed software that can be used on a PC to transfer data on delinquent debtors to IRS via a system operated by HUD. This development makes it possible to expand the program governmentwide, and extend benefits to all agencies.

Further information concerning the program can be obtained from Ernest Powers of FMS (212) 287-0642

Did You Know . . .

By Charles McAndrew (697-4422)

This month we are featuring the Department of Education's (ED) Financial Management Service (FMS). The Education Department Payment Management System (EDPMS) became a reality in February 1986, after 17 months of development and at a cost of \$1.8 million. At the time of implementation, there were a little more than 8,000 grantees receiving approximately \$12.3 billion annually. Initially, EDPMS delivered the payments to ED grantees by the Treasury Financial Communication System, Federal Reserve Bank (FRB) Letter-of-Credit, and Treasury check.

During the six-month period after the implementation of EDPMS, the original design of EDPMS was further improved by adding an automated document closing process, an automated database archiving process, a cash management module, and an on-line expenditure adjustment capability. The automatic closing of documents was added to close documents efficiently and expeditiously when the availability of funds expired. Automated database archiving enables FMS to purge and/or archive select files from the on-line EDPMS databases based on established criteria. As a result, on-line storage costs are reduced and the management of data becomes more efficient. The cash management module performs prepayment validations and generates post-payment reports used for monitoring cash balances and the rate of

draws against the recipient cash accounts. Finally, the on-line capability to adjust expenditures was developed to enable FMS to correct expenditures posted to an account or to adjust expenditures for closing an account.

In late December 1986, FMS implemented an electronic payment process using the FRB Automated Clearing House (ACH) network. An electronic transmission is transmitted from ED to the FRB in Richmond, Virginia, which then transmits the transactions through the FRB network to the grantee's bank where the funds are deposited directly to the grantee's account. By using the ACH electronic payment method, FMS can deliver payments to grantees within two to four days after funds are requested.

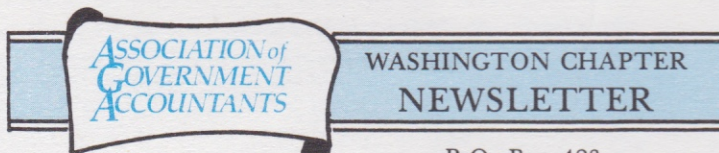
To receive funds through the electronic method, the grantee must request funds by calling, via toll-free number the ED Service Bureau in Iowa City, Iowa. When grantees call the Service Bureau, they have the option of using a touch-tone or operator-assisted phone method. If grantees choose to use the touch-tone method, they must punch specific keys on the phone set. At the close of business, a file is transmitted to the FMS computer facilities at the National Institute of Health in Bethesda, Maryland, for updating to the IBM 3090 mainframe computer. The next morning, a file is downloaded from the mainframe computer to a personal computer at FMS. Using special encrypted software provided by the FRB of Richmond, the file is then transmitted to the FRB.

In November, 1987, FMS expanded electronic payment processing to include FRB wire transfers (FEDWIRE), which enable FMS to pay--within 24 hours of a funds request. This service has been restricted to state and local agencies and institutions that have special cash management requirements.

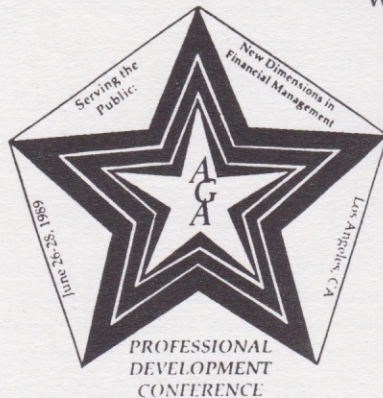
Approximately 14,000 grantees are currently receiving FEDWIRE transfers or ACH payments. For Fiscal Year 1988, as a result of using electronic payment methods, FMS has disbursed approximately \$16 billion in grant payments from EDPMS and has realized an estimated interest savings of about \$17 million because of the reduction of excess cash in the hands of grantees. Additional savings in system processing costs for Fiscal Year 1988 totaling about \$85,000 were also realized through the efficient delivery of payments using electronic payment methods.

Future plans for EDPMS include electronic reporting of expenditures, which would enable the grantees to receive and send quarterly, or monthly, expenditure reports by way of a telecommunication link with EDPMS. Electronic reporting is expected to greatly improve outlay reporting to Treasury and OMB.

All inquiries concerning EDPMS should be directed to **Raymond C. Kudobek**, Director, Division of Financial Systems and Reporting, Financial Management Service, Department of Education, at (202) 732-5850.



P.O. Box 423
Washington, D.C. 20044
April 1989



**FIRST CLASS MAIL—
PLEASE EXPEDITE**