

Financial Management Service

# PFC Journal

## FMS Encourages Agencies to Use IPAC

Intra-governmental payments are fund transfers from one Federal agency to another, including both transactions within Federal agencies or between them. For example, an agency that provides training to employees at another agency must be reimbursed for these services. The agency receiving training would complete this reimbursement to the other by an intra-governmental payment.

There are several options available to agencies to make intra-governmental payments, namely:

- Treasury checks;
- Vouchers - paper certificates which can be exchanged for money to be spent on specified programs, projects, or accounts. These are issued under the Treasury Financial Manual (TFM) guidance for the use of the paper-based, manual SF 1080 for intra-governmental payments. For more information on this guidance, please visit: <http://www.fms.treas.gov/TFM/vol1/v1p6c400.html>;
- Electronic Fund Transfer (EFT);
- Intra-governmental Payment and Collection system (IPAC).

The last of these, IPAC, is the preferred method for making intra-governmental payments. IPAC is an Internet application specifically designed to facilitate intra-governmental payments and collections in an automated and standardized fashion. IPAC transfers are completed on a real-time basis and provide agencies with descriptive financial data related to the transaction. The benefits of using IPAC include:

- Reduction in paper: Since transactions are handled electronically, there is overall reduction in paper-intensive processes.
- Reduction in erroneous transactions: Automated transactions and built-in controls reduce the opportunity for human error generally associated with paper-based processes.
- Timely submission of financial data within or between Federal agencies, since transactions are completed on a real time basis.
- Reduction in check payment costs: IPAC is significantly cheaper than paper checks.
- Allows agencies to transmit multiple detail transactions with each summary transaction to aid in the reconciliation process for both agencies involved in the transaction.

Given the efficiencies and cost savings associated with IPAC, as compared to the other available intra-governmental payment mechanisms, FMS strongly encourages agencies to use IPAC. The TFM states that agencies should use the IPAC System, whenever possible, for processing intra-governmental transactions. Additionally, using IPAC is consistent with the guidance prescribed in the Government Paperwork Elimination Act (GPEA), which requires **all** Federal agencies to utilize automated systems, when appropriate, for business transactions.

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Several significant changes are currently being made to IPAC to provide agencies with a single sign-on to most FMS applications and to facilitate enhancements in the government accounting process. Please visit the IPAC website at <http://www.fms.treas.gov/goals/ipac/index.html> for more information on these changes and how they impact your agency.

## Notification of Change Provides Efficiency in the Direct Deposit Process

Notification of Change (NOC) is a method available to financial institutions to notify a Federal agency to correct or change account information in an entry the Federal agency processed through the Automated Clearing House (ACH). In certain circumstances, a financial institution may receive a payment file with erroneous information on it; however, they are able to identify the payment and post it to the correct account. In such cases, the financial institution may issue an NOC to correct the erroneous information. A financial institution may also issue a NOC when it merges with another bank and a change in routing number results.

NOCs are used for Federal government (both civilian and military) payments that are made on a recurring basis. Examples are:

### **Benefit Payments**

- Department of Veteran Affairs
- Office of Personnel Management
- Railroad Retirement Board
- Social Security Administration
- Supplemental Security Income

### **Other Payment Types**

- Federal salary
- *Treasury Direct*
- Vendor and miscellaneous

NOCs should not be used to change title/ownership of an account, change interest of the recipient or beneficiary in the account, change accounts from one financial institution to the other, or for one time payments, such as an IRS tax refund. In these circumstances, a new enrollment form must be processed and/or the payee should be directed to contact the agency directly. For more information on the NOC codes available for use to correct Federal government payments, please visit the Green Book website at <http://www.fms.treas.gov/greenbook>.

Treasury has become aware that, in certain circumstances, federal agencies do not react timely to NOCs sent by financial institutions. Failure to react timely to an NOC may result in erroneous payments, thereby causing a significant delay in recipients receiving their Federal payment. Upon receiving an NOC, agencies should take measures to ensure that the erroneous payment file(s) is corrected before submitting the next payment by ACH.

In some cases, financial institutions submit NOCs that cannot be processed by FMS and/or the Federal agencies. If the NOC was submitted for a benefit payment, such as a Social Security or Railroad Retirement payment, financial institutions will receive a refused NOC code that specifies the error in the NOC file. A list of refused NOC codes is also listed in the Green Book at <http://www.fms.treas.gov/greenbook/noc>. However, a refused NOC transaction may not be initiated for other payment types, such as vendor or miscellaneous payments, if the original NOC cannot be processed. If an agency does not respond to an NOC within two payment cycles, the financial institution should verify that the NOC was properly formatted.

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## Notification of Change (Continued)

Financial institutions submitting NOCs should be aware of the following common formatting errors identified by FMS:

- Insertion of dashes into the Social Security Number
- Not leaving a blank space and then indicating SSA. (For SSA payments, there should be three characters and/or spaces between the last digit of the Social Security Number and the letters "SSA")
- Not indicating if the recipient is an SSI recipient.
- Leaving less than three blank spaces before indicating SSI. (For SSI payments, there should be three blank spaces between the last digit of the Social Security Number and the letters "SSI".)
- The account number has spaces in it.
- Using CO3 (incorrect Routing Number and incorrect DFI account number) and the account number is in Change Field 1 instead of the Routing Number. When changing both the Routing Number and the account number, the Routing Number must appear in Change Field 1 and the account number in Change Field 2.
- RTN problem (Receiving DI ID information from the original item is missing).

Additionally, NOCs may not be processed because third-party payment processors utilize applications that eliminate data from key fields in the NOC file. If a financial institution is using a third-party payment processor for its ACH payment activity, it should contact the processor and ensure that they refrain from eliminating key data in the NOC file. *There have also been significant changes made to ACH processing software over the past year that may impede on NOC processing, especially routing number changes. As a result, financial institutions should contact the Philadelphia Financial Center directly at (215) 516-8022 if they feel the NOC(s) was formatted correctly.*

NOCs take advantage of the electronic ACH system to provide a quick and efficient way to remedy erroneous electronic payments. Both financial institutions and Federal agencies should ensure they are using NOCs correctly and to the fullest extent to provide the best service to Government payment recipients. If any institution or agency has a question regarding NOCs, please contact the Philadelphia Financial Center at (215) 516-8022.

## Presort Goes Live at FMS - Presort Equipment Has Saved over \$600,000; Provides Automated Controls and Enhanced Reporting for Check Operations

Each year, the Financial Management Service (FMS) disburses nearly 27 million vendor and miscellaneous checks to various Federal payment recipients. In addition, each Regional Financial Center (RFC) mails nearly 3 million additional notice letters to recipients and financial institutions.

Current Post Office regulations stipulate that mailers can achieve postage savings by presorting their mail into 3 and 5 digit zip ranges and by applying a barcode on each piece of mail. This reduces the amount of manual labor that the Post Office must perform to deliver the mail, thereby permitting them to avail cost savings to those mailers who presort and barcode their mail.

There are several vendors who develop mail sort equipment to assist high volume mailers to presort their mail. On December 30th, 2004, FMS awarded a contract to Pitney Bowes to provide presort equipment to three of its RFCs – Austin, Kansas City, and Philadelphia. The presort equipment, named the Olympus II MT, presorts and barcodes RFC daily check mail in order to avail significant postage savings for the Government as a whole.

The equipment uses the latest in Multi-Level Optical Character Recognition (MLOCR) technology to capture an image of the mail piece address in order to apply an accurate barcode and to automatically presort the mail into 3 and 5 digit bins. The Olympus II can process between 30,000 to 40,000 mail pieces per hour and is equipped with 96 pockets in which to sort the mail, thereby maximizing processing rates while reducing manual labor. The equipment is operated primarily through the use of Windows-based software applications, therefore making utilization of the equipment extremely user-friendly for each RFC. The equipment includes flexible reporting options to satisfy Post Office regulations and to internally track cost savings, zip code trends, and productivity. Additionally, the Olympus II includes the functionality to provide automated internal controls to ensure that each daily check produced by an RFC is accounted for before release to the Post Office.

Pitney Bowes completed installation of the Olympus II at the Philadelphia Financial Center (PFC) in March 2005; at the Austin Financial Center (AFC) in April 2005; and the Kansas City Financial Center (KFC) in May 2005. On March 25, 2005, PFC put the Olympus II into production and began presorting its daily check payments and correspondence mail. In slightly over a year's time, PFC has attained over \$620,000 in postage savings by presorting its daily mail with the Olympus II. Significant postage savings have also been achieved at AFC and KFC. It is anticipated that FMS will save over \$900,000 per year, after equipment and maintenance costs, by presorting its mail with the Olympus II equipment.

In December 2005, Pitney Bowes installed customized software features on each RFC Olympus II sorter. These software upgrades provide additional functionality and automated control features to increase the accuracy and efficiency of check and mail operations at each RFC. One of these enhancements provides each RFC with piece-level integrity of its check operations by comparing automated check files with each physical check that is processed by the sorter. A report is produced at the conclusion of each presort job that indicates, by check number, whether any checks are missing from a particular group or double-enclosed. This provides the RFCs with an automated process to ensure that all agency check payments are accounted for and released to the Post Office on a daily basis.

Another enhancement allows the RFCs to produce a report listing any checks that could not be presorted because of poor address hygiene. This 'hygiene' report is organized by agency location code (ALC), thereby providing the RFCs with the means to identify agencies submitting check print files with poor address hygiene. Consequently, the RFCs can work with these respective agencies to make necessary changes to their payment files to facilitate increased presort savings.

The incorporation of presort equipment into daily operations at Austin, Kansas City, and Philadelphia has been a challenging undertaking. However, FMS employees from various RFCs and divisional areas exhibited teamwork, vigilance, and creativity to implement a new business line that will provide for significant taxpayer savings and improved check payment controls for years to come.

## Agency Forum

We are pleased to announce that an Agency Forum is tentatively scheduled for **Tuesday, November 14, 2006**, from 9:00 a.m. - 4:00 p.m. at the Philadelphia Financial Center. The forum will address various topics of interest to the agencies, such as Government-wide Accounting (GWA) Modernization Project and Treasury Check Information System (TCIS).

Additional information will be posted at <http://www.fms.treas.gov/pfc/training.html> as it becomes available. Inquiries regarding this forum can be directed to the Customer Assistance Staff at (215) 516-8022.



*The Philadelphia Financial Center Newsletter entitled PFC Journal is presented by the Customer Assistance Staff and addresses a variety of topics of interest to individuals in the Federal financial community.*

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