

September 1997

## TREASURY OFFICIAL DISCUSSES MEETING GOVERNMENT FINANCIAL GOALS

The September 3, 1997 session of the Washington International Financial Management Forum was happy to hear Victoria I. McDowell, Deputy Assistant Commissioner, Debt Management Service, Financial Management Service, Department of the Treasury, as she presented her remarks on "How the Financial Management Service is Supporting National Governments and Meeting Their Financial Management Objectives." Mrs. McDowell's presentation together with a resume of the question and response period which occurred during her speech.

### Remarks of Victoria I. McDowell

I would like to spend a few minutes talking about what the Financial Management Service does for those of you who have never ever heard of us. And then I will get into our international program, how it got started and what some of the things are that we are doing and what our plans are.

The mission of the Financial Management Service is to improve the quality of government financial management. And we do that by trying to link programmed financial goals. We provide financial services, information, advice and assistance to our customers, to the taxpayer, Treasury Department, federal program agencies and government policy makers. XXX is organized around what we refer to as business ?line? I want to talk a little bit about some of the activities to give you a better framework. Probably the primary function of FMS is to disperse the government payments. Now maybe folks who work in different agencies think that their agencies pay the bills. What your agencies do is certify payment vouchers or requests to FMS and we, actually through six different offices, trace the checks and wrap the envelopes around the checks and mail them out or we do what's more in vogue these days is direct deposit or electronic fund transfer. So we really use service to disperse the agent for federal agencies except the Defense Department and the Postal Service, they have own dispersing authority. We may go over eight hundred million payments every year. FMS also manages the government debt collection program and as a side comment I'm going to tell you I am delighted to be here not talking about debt collection, not talking about collecting delinquent child support obligations. But I will mention that the government delinquent accounts are currently at over one hundred billion dollars owed to the federal government and accounts that are delinquent.

We also reconcile all the government checks and handle all the claims by electronic payment. We use the federal reserve bank, commercial bank, to collect over 1.4 trillion dollars in revenue every XXX . In other words, not only do we disperse the money, but we also manage all the collection mechanisms to bring money into the federal government. We also provide reimbursable

accounting services for agencies, we compile the daily cash position for the United States government and we establish all the appropriations accounts and we issue appropriations to agencies. In other words, agencies cannot spend any money unless we have the appropriations account and the okay to do that.

We have another business line that is referred to as Financial Management Policy and Guidance. We issue all of the cash management policies procedures for all federal agencies to follow. We have developed, along with other organizations, standards for all the federal government's financial systems. As I mentioned, we publish government-wide policies for credit management and debt collection. And we also help agencies with various tools, for example, lock boxes or using preauthorized debit to bring money into the government, credit cards, the use of credit bureaus. We issue all of the government's reports on budget results. As I mentioned, we're really the bookkeeper or the accountant for the federal government. We issue a consolidated government financial statement, a variety of different accounting reports, we gather analyzed data to fit the specific needs of the decision makers because we have to report to the congress or OMB needs reports on the government's financial condition, they get that information from FMS. There's also what is called a consulting and advising and training business at FMS where we do provide consulting services to agencies on financial management. It can be on any of the different functions that I mentioned--disbursements, collections, accounting, reporting and will provide specific management training. We have the Center for Applied Financial Management, which is a reimbursable activity that provides various kinds of consulting and training to not only federal agencies but state agencies and now other national governments. So, in a nutshell, that's who we

are, that's what our business is.

Between 1992 and 1995, FMS employees, managers and executives participated in ten technical assistance or training missions to seven different countries of Eastern Europe and the newly independent states. When I go through the highlights I'll give you some of the concrete examples of the work we have done. During this period, FMS contributed a total of fifteen hundred hours of onsite assistance all without reimbursement to FMS salaries. Keep in mind that FMS's primary mission is domestic--we do not receive any direct appropriation from the Congress for international activities. Because of that, we had to rely heavily on third party funding to help at least pay our travel expenses. In 1996, through close coordination with the departments Office of Technical Assistance, you will hear more about that at next month's meeting, we expanded our missions beyond Eastern Europe and the newly independent states and we did some work for the Ministry of Finance in Bolivia. Our government has created its strategic business plan for 1996 to 2005. It became clear that we needed to more explicitly address our objectives for international assistance. The result is both a near term and long term goal for the Financial Management Service and that is to support national governments and mediate their financial management objectives. XXX coordination and leadership for FMS's International Assistance represents an important movement away from what typically has been a reaction to responses to changing the demands of the international environment. Now we have an opportunity to apply FMS's expertise and psychology in a strategic manner since we have been officially recognized by the FMS. We want to support the department in the federal government's international assistance goals. During

calendar year 1996, we delivered 16 briefings or seminars to 75 delegates from 19 different countries. Forty eight different FMS employees, managers and executives contributed to their success. Before going to the XXX we were talking a little bit about how FMS is developing its international program. We are not hiring a lot of people that Tom Heiple XXX we work closely, so what Tom is able to do is when we do get requests from the department, other federal agencies or other countries, we have a vast resource of an entire agency of 2,000 employees that we can tap depending upon what the request and need might be. So, I don't want anyone to get the impression today that FMS has a very large international staff, we do not, but will call on any of our employees or managers to help depending on what the request is.

Question: Will you go to other countries?

Yes, we will go to other countries. In fact it was in September of 1992 that really started our international program when some of us were invited to go to Russia to give financial management training for some financial managers and bankers in Moscow. So that really was the beginning of our program. We did that, and followed up by taking another team of people on-site for a couple of weeks, several months later. One of the more fun things that we did at the time, we thought we would all die, is that we brought 25 Russian financial managers from primarily private sector organizations to the United States for a three month internship program and they had formal classroom training at George Mason University. In addition we were able to secure internships for them where they actually went into government and private sector organizations and had to work. That was a three month program that we're very proud of that was jointly

funded by USA XXX Foundation. In addition for about nine or ten years now, Tom, we have sponsored a colloquium with the Treasury Board of Canada. It focuses on financial management for national government and each year about six to eight different countries participate. Those are currently scheduled for two weeks from now in Atlanta and it looks like we have about 50 some participants from different countries. Another international assistance program I didn't mention involves our work in Russia and that is with the state tax services, a project that's under way. So what we're doing, just because of the massive size of the state tax service in Russia, Russia had a need to train over 250,000 employees of the tax service in basic accounting and the question was how to do that most efficiently and cost effectively so designing along with the XXX Foundation a computer-assisted instruction course, so we're very excited about it. We're doing, I think its three courses, and we hope to XXX out soon. Now, Thomas, Professor Einhorn and I talked about some of the specific acts that we've undertaken, I mentioned we've worked with Russia, with primarily financial managers and bankers, some work with the Central Bank, we sent a team to Russia, we also sent a team to XXX to work with the Central Bank and their bank supervisors, we've been to Ukraine, Romania, Hungary and we have had groups come into the treasury, Muldova. As I mentioned, we were in Bolivia. Most everything we do on these assignments involves the central treasury, how to establish a central treasury, how to establish XXX CHART OF ACCOUNTS. HOW DO WE DO CASH FORECASTING? Australia, we shared information with the Australians on our XXX industry engineering. In other words, right now XXX and we're doing a lot of work on it XXX environment. Czech Republic, one that's been very interesting for me is China over the last couple years we have not sent any delegation to China but they have come to visit us. About a year ago, we had a large group from a city in China and when we

described how we print checks, they were truly fascinated by that. We have massive machines that print our tickets, 10,000 checks a minute. I know we have these huge things called check wrappers. Recently I was in New York and they were commenting about a federal check that came in the mail in those flimsy brown envelopes and I said hey, we make every single one of those flimsy brown envelopes. XXX . A lot of folks that come in are very interested in some of the basic things we do in the government, it's new to them. What our approach is, that we certainly do not XXX. I think we've proven that many times. So what we're trying to do is share information about how the federal government does its central accounting and processing and disbursing collections and we encourage other countries to sometimes learn from our mistakes or take what is useful and we will be glad to help them if we can. We have done a lot on payment collections and cash forecasting for most of the country, Sierra Leone, as I mentioned, Russia, Canada, it really covers the gambit of what we call government financial management.

#### Question and Response Period

XXX. Do you have any XXX practices XXX on your web site?

We do have some XXX practices primarily in the areas of payments, collections, debt collections. If you give us your name and address, we will be happy to share with you. Some are on the internet but not all.

XXX. Is there any activity XXX?

Thank you. That's a very good question. We do that obviously it's XXX through the international colloquium that we cosponsor with Canada every year. We have changed that format and we have doing it for eight to ten years and people are coming and reading the papers. When Tom and I got involved we decided we wanted to try a different approach and have exchanges of information so what we do now is have workshops. A couple of years ago we had Australia and New Zealand participate on some of their reinvention or reengineering efforts. There is a lot of sharing of information and like I said we're not arrogant enough to say we know best because we know that's not true and we've learned a lot from other countries and we welcome that exchange. We did include, I mentioned earlier, XXX engineering effort that the treasury has undertaken because we used most of the government's payment and we included other countries in that effort which was very valuable for us, we learned a lot--so we know we don't have all the answers.

XXX. You mentioned the XXX to national statements to produce are these audited independently and how accurately do they reflect the health and state of our nation?

Yes, there was a law passed XXX agriculture education XXX this administration, yes, their financial statements must be audited. That has been, I would say, in the works for the last three to four years. The government XXX has not been audited, I notice that the word XXX but, I think I'll just leave it at that.

XXX.

Yes, some of our XXX operations are doing that and the goal is certainly there would be no inconsistency. As I said, this has been a requirement for about the last maybe three or four years so, we don't have it perfected yet but that is the goal.

XXX. You mentioned that the XXX, if I understood you correctly, there's no separate funding for your financial activities from the Congress so, therefore, you are dependent presumably on either cross subsidizing from other activities or finding other parts of the government to whose objectives your particular programs relate. Could you just outline where you give some of your other funding XXX and what sort of assistance programs elsewhere the government may relate?

For the international program we have received some funding at times from USAID, joint funding from the XXX Foundation. Our XXX are covered through the FMS appropriation. When we must invest, what in our mind is a substantial amount of money for travel expenses, we usually look for a different funding source. The Treasury Department and its international programs has helped us tremendously, sometimes the country itself who is asking for the assistance can pay our expenses, but we must be careful as I said, we don't get a direct appropriation for international programs.

XXX

We have different kinds of followup. Sometimes if ?things? are coming to our office and we are

spending a few hours giving them a general briefing or a briefing on a particular subject, we'll get a letter thanking us. The internship program that I mentioned with XXX financial managers, 25 folks coming to us for three months, we were adamant that we wanted to follow up because it was a tremendous investment in money, time, XXX, so we have followed up with those interns. They had to go to class, they had to pass exams, they had to show proficiency, they had to go to work and be at work so it was a very rigorous program. We gave them certificates when they finished and followed up, I think it was every six months, because we wanted to know did the program really make a difference and the vast majority of the participants had been promoted, were in better jobs and were doing very well so we viewed that as a very positive sign that the program was successful. So, when we can follow up, we do because we want to make sure we are adding some value.

XXX

There is an issue. The issue is, federal agencies feel they should be able to make their own payments and they battle treasury from time to time. Two of the agencies that come to mind are the Social Security Administration and Veterans Affairs. They believe they can issue payments just the way Treasury does. There are questions about that. In the days when the bulk of the payments were checks, that was an easy battle for them to lose just because of the substantial equipment that's involved in ?freeing? checks and mailing them out and we really have factories in six parts of the country that do that. Now with electronic funds transfers its a different story. We are still opposed to disbursing, to giving agencies XXX disbursing authority because of

reconciliation XXX problems that can occur but I can tell you it was about two or three years ago that I was in Australia checking on that subject and the Australians in the different departments had their own bank accounts in essence and it was not a particular problem so it will be interesting to see what is on the horizon when there was a law that was passed last year requiring all federal payments other than tax refunds must be issued electronically by 1999. So we'll see what happens. But that has been an issue for agencies and I know other countries do not have centralized disbursements.