GAO Highlights

Highlights of GAO-17-176, a report to congressional requesters

January 2017

REVENUE COLLECTIONS AND PAYMENTS

Treasury Has Used Financial Agents in Evolving Ways but Could Improve Transparency

Why GAO Did This Study

Under the National Bank Act and other statutes, Treasury is authorized to designate certain financial institutions as depositaries of public money and financial agents of the federal government. Treasury uses financial agency agreements to designate financial agents. In 2004, Congress provided Treasury with a permanent, indefinite appropriation to reimburse financial agents for their services, which replaced its use of non-appropriated funds.

GAO was asked to review Treasury's use of financial agents. This report examines (1) how Treasury's use and compensation of financial agents has changed as it has modernized its payment and collection systems and (2) Fiscal Service's process and related internal controls for selecting and designating financial agents. GAO examined documents on Treasury's programs using financial agents; budget and other data on financial agent compensation; and laws and regulations governing the use of financial agents. GAO also reviewed Fiscal Service's FASP guidance and internal records supporting its selection and designation of five financial agents between 2010 and 2015. GAO interviewed Fiscal Service officials about its FASP and its use of financial agents.

What GAO Recommends

GAO recommends that Treasury publicly disclose in a central location information about its financial agents, including their compensation and services provided. Treasury agreed with GAO's recommendation and provided technical comments, which were incorporated as appropriate.

View GAO-17-176. For more information, contact Michael Clements at (202) 512-8678 or clementsm@gao.gov.

What GAO Found

The Department of the Treasury's (Treasury) use of financial agents has evolved as it has moved from paper to electronic transactions in response to changes in technology and new laws. Treasury has a long history of using financial agents to support its core functions of disbursing payments and collecting revenue. Since the 1980s, Treasury has used agents to move from paper to electronic transactions as it has modernized its systems. For example, Treasury began using financial agents to collect tax revenue electronically in response to a 1984 law and to make payments electronically in response to a 1996 law. Such changes have continued since Congress enacted a permanent, indefinite appropriation in 2004 for Treasury to reimburse financial agents, after which Treasury began including in its annual budget the total amount paid to financial agents. Compensation to financial agents has grown from $378 million in fiscal year 2005 to $636 million in fiscal year 2015, partly due to increases in the number of debit and credit card payments made to federal agencies that are processed by financial agents. While Treasury discloses in its annual budget the total amount paid to financial agents, it has not fully disclosed in a central location information about individual agents, including their compensation and services provided. Treasury officials said they are not required and have not determined a need to publicly disclose compensation under each financial agency agreement. According to an Office of Management and Budget directive on open government, transparency promotes accountability by providing the public with information about government activities. Greater disclosure and transparency could enhance the accountability of Treasury's use of financial agents by informing the public and Congress about how much and for what purposes it is spending federal funds to obtain services from financial agents.

The Bureau of the Fiscal Service (Fiscal Service)—the largest user of financial agents within Treasury—developed its financial agent selection process (FASP) guidance to document the steps and internal controls that its program offices generally are expected to follow in selecting and designating financial agents. The guidance provides assurances that a FASP is effective and efficient, documents key information, and complies with applicable laws and regulations. The guidance directs program offices to maintain an administrative record of key documents generated during a FASP. GAO selected five financial agents designated between 2010 and 2015 to review their administrative records but could review only four because the record for one was not created. None contained all the documents listed in the guidance, but three contained the majority. For example, the record for *my*RA®, a new retirement savings program using a financial agent to provide custodial services, contained 6 of 11 key documents—missing, for example, certain planning and approval documents. As a result, the records varied in the extent to which they complied with Fiscal Service's guidance, including controls. In November 2015, Fiscal Service revised its guidance to require not only program offices to deliver an electronic copy of their administrative records to the Bank Policy and Oversight (BPO) Division but also BPO to use a checklist to ensure that the records are complete. The 2015 guidance was not in effect for the records GAO reviewed. However, BPO's implementation of the new procedure should provide assurances that future designations are in compliance with the FASP guidance, including controls.