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GL#34-17-231
Speaker Benjamin J.F. Cruz

February 15, 2017

FEB 17 2017
Time: 9:27 AM/PM
Received By:

Honorable Benjamin J.F. Cruz
Speaker
34th Guam Legislature
155 Hesler Street, Ste. 107
Hågatnå, Guam 96910

Håfa adai Mr. Speaker,

As we work diligently together in a continuing effort to improve our services for our island community, I would like to respectfully submit our current report for the first quarter of FY 17 summarizing our efforts and progress in establishing a more convenient payment system in accordance with the FY 17 GovGuam Budget Law, Chapter 13, Section 24, entitled "Efficient Cash Management" for your review and consideration. DOA worked in collaboration with OTECH in reviewing our current business processes.

This report summarizes recommendations based on OTECH's findings and analysis, and also outlines a plan of activities for the second quarter. I look forward to working together.

2017 FEB 27 PM 1:54

Senseramente,

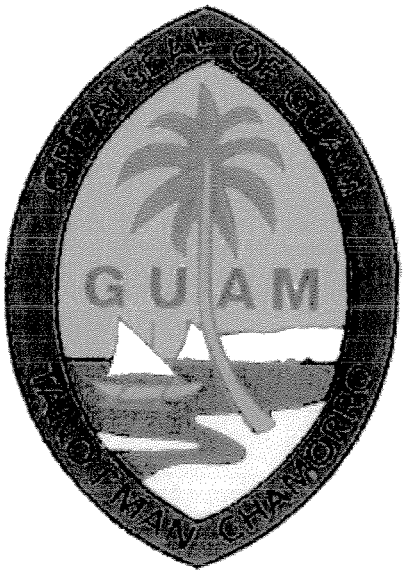
Christine W.P. Baleto

Frank LG Lujan, Jr. - Chief Technology Officer

Cc: Senator Thomas Morrison

0231





OFFICE OF TECHNOLOGY
GOVERNMENT OF GUAM

SECTION 24 - EFFICIENT CASH MANAGEMENT REPORT Q1 February 15, 2017

Abstract

For FY17 Q1, OTECH conducted assessments of the systems at DOA Treasurer of Guam (TOG), DOA Division of Accounts, Treasurer of Guam at DRT, DRT Collections, DRT Accounting, and DPHSS.

Frank L.G. Lujan, Jr. – Chief Technology Officer
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Introduction

In October 2016, OTECH initiated assessing the payment processing system, TPS, in use by Dept. of Administration and Dept. of Revenue and Taxation. Questions and complaints had been made by customers regarding delinquent notices received for payments that had been made, resulting in hours spent at the Dept. of Revenue and Taxation Collections department to clear their accounts. Additionally, complaints were also received over the convenience fee being charged for the use of a credit or debit card to make online and Treasurer of Guam payments.

OTECH is enabled to assess the payment processing options in the FY17 Budget Law, Chapter 13, Section 24, entitled "Efficient Cash Management". OTECH, in collaboration with DOA and DRT, may identify available technologies to "support a more convenient and efficient payment system". This report shall be submitted by December 31, 2016 "summarizing the efforts made by the government of Guam in establishing a more convenient payment system. The report shall also include a cost estimate for any proposed payment system."

The current payment processing systems, called Transaction Processing System (TPS), was implemented by Data Management Resources (DMR) for DRT on 9/2013, and for DOA on 7/2014. Although the Treasurer of Guam cashiers process payments at both DRT and DOA, these are separate payment processing systems.

For FY17 Q1, OTECH conducted assessments of the systems at DOA/DRT Treasurer of Guam (TOG), DOA Division of Accounts, DRT Collections, DRT Accounting, and DPHSS.

Background of POS Systems

- The first point of sale system used by DOA and DRT was implemented in 2004 by Data Management Resources (DMR) in the DRT system with a single payment system for both DOA and DRT. This is referred to as the POS System.
- Between November 2011 and September 2013, the POS System was replaced by a web-based payment portal implemented by DOA. The circumstances behind this change although at first glance appeared to be cloudy, we were able to determine that one of the catalysts for this change may have been Public Law 30-224, which de-appropriated all bank fees charged to the government of Guam effective April 1, 2011. The credit card "convenience fees" would be charged to the customers.
- The web-based payment portal did not have full integration with the DOA and DRT accounting systems and manual processing was needed to download the payment records into these respective systems.

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- On September 2013, DRT stopped using the web-based payment portal and contracted DMR to implement the current TPS System at DRT and in July 2014, DMR implemented TPS at DOA.

Summary of OTECH Recommendations

OTECH spent the first few months interviewing operational stakeholders with TOG, DRT, and DOA. Summarized below are OTECH's recommendations derived from these interviews. OTECH has identified the following gaps in the TPS business process, which must be immediately addressed in order to improve GovGuam's overall cash management:

1. Cashiers enter payments on 4 separate screens. Payments should be entered on a single entry screen.
2. Cashiers print 4 separate reports to balance their cash daily. A single report should be generated for cashier balancing.
3. Some Online TPS screens need 2-4 seconds to load a Revenue Type selection page. Screens should be redesigned to allow the cashier to quickly position to the required selection.
4. The implementation of barcodes or QR codes for customer payment scanning will alleviate a multitude of errors resulting from erroneous manual entry. Unique Taxpayer QR codes could be saved on customers' mobile devices and printed on their tax documents.
5. The payment entry workflow should be re-designed to first retrieve and validate the taxpayer ID, then all open invoices. Acknowledging the complexity of customer self-reported GRT and Income Tax filings, and given that payments for such filings are, in fact, collected, with full examination and adjustments done at a later time, the payment record should serve as the invoice in these cases, with full reporting provided for the analysis of the respective sections. The current workflow begins with the type of payment rather than the Taxpayer ID, and therefore treats transactions without an open invoice as manual transactions without any Taxpayer ID validation.
6. Manual Invoice transactions entered on Online TPS Systems are not validated. This includes payments for Income Tax, GRT, W-1, W-3, Form-500, Passport Fees, Customs and Quarantine Fees. Customer account numbers (SSN, TIN, EIN or GRT#) should be retrieved and validated on all payment entries to minimize erroneous and rejected payment records.
7. The process for reviewing and correcting rejected transactions is time-consuming, creating a backlog of payment transactions which may take several months to post to the correct customer accounts. GRT payment rejects make up a bulk of these rejected transactions, with an estimated 400 GRT payment rejects per day. This would be

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alleviated by the proper validation of customer account numbers upon payment processing, or implementation of barcode scanning.

8. A Reject History file should be maintained for tracking and audit purposes. The vendor indicated that such a reject history file was not requested. Best practice for a mature payment system includes a full auditable history of all transactions, including corrective transactions.
9. A "Bad Check" file and alert is needed to allow the cashier to refuse future bad checks. There appears to be a file, however, the cashiers are not alerted when a customer with a history of unpaid bad checks tries to make a payment with a check.
10. The vendor has reported that there are unavoidable errors with web payments due to delays in the payment gateway, resulting in timeout errors on the customer web sessions and halted transaction entry.
11. A timeout error log is needed on web transactions if the credit card information has already been entered and the payment gateway has already been entered, but a return report was not received from the payment gateway.
12. Administrators and users need full documentation of the TPS systems. The vendor indicated that documentation was not included in the contract, although some documentation was provided during the initial training sessions. Complete documentation is needed, in order to fully understand the system workflow and capabilities, as well as to understand if there are gaps in the users understanding and use of the systems. The vendor indicated that documentation was not part of the contract. A mature software system should always include user guides, user help and technical support documentation, at the minimum to conduct training and user acceptance testing. The absence of documentation is troubling evidence of a system lacking developmental maturity.

Q1 Progress as of February 15, 2017

- An Efficient Cash Management (ECM) steering committee has been established consisting of key stakeholders including the Chief Technology Officer, the DRT Director, the Tax Commissioner, the DRT Deputy Director, the DOA Director, the Treasurer of Guam, and the DOA Finance Controller.
- Because of end of calendar year delays in receiving reporting data from other resource agencies, the DOA Director requested an extension on the final report via letter to Senator Morrison's Office.
- A meeting with Senator Morrison took place at OTECH with CTO earlier in January to provide a brief progress update.
- OTECH has completed a preliminary POS systems application review.
- The Department of Administration is currently evaluating responses for an RFP issued earlier this quarter for merchant payments services for Treasurer of Guam Cashiers and online payment services.
- No costs are available at this time.

Q2 Plans

- ECM Steering committee will meet monthly to review quarter progress.
- OTECH Recommendations will be translated into application program specifications.
- ECM Steering committee will work to evaluate specifications.
- OTECH will work on preliminary costs and timelines to plan, procure, and implement.
- DOA plans to complete evaluation of Merchant Services RFP and award accordingly.
- DOA will start work to analyze trends and customer behavior related to the last three years of convenience fee. Analysis will include any specific derived collection benefits in comparison to the periods when GovGuam was paying directly for the Merchant services.
- Next ECM report due March 31, 2017.

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