

Title of Nomination: Local Government Investment Pool Internet Banking Project

Project/System Manager: Jamie Etheridge

Title: Executive Director Quality and Performance

Agency: Office for Information Resources

Department: Finance & Administration

Address: 312 8th Ave N Ste 1600 -

City: Nashville

State: TN

Zip: 37243-0288

Phone: 615-741-3700

Fax: 615-532-0471

Email: rozann.shick@state.tn.us

CATEGORY: Digital_Government_G_to_G

Person Nominating (if different): Rozann Shick

Title: Business Development Manager

Address: 312 8th Ave N Ste 1600

City: Nashville

State: TN

Zip: 37243-0288

Phone: 615-253-6981

Fax: 615-532-0471

Email: rozann.shick@state.tn.us

State of Tennessee
Department of Treasury
Local Government Investment Pool Internet Banking Project
Executive Summary

The State of Tennessee first established a local government investment pool in 1980. The program, identified as a prime candidate for an Internet application, was first developed and implemented as a pilot application with six local governmental entities in August 2000. It was revamped and implemented on July 17, 2002.

The Local Government Investment Pool (LGIP) Internet Banking Application provides a secure and convenient method for city and county governments to deposit, withdraw, transfer, and examine funds invested with the State of Tennessee. It provides an investment service for local governments and allows participants to deposit monies with the Treasurer to be invested along with state funds. Approximately 905 participants receive a competitive return on their funds, while avoiding the headaches of managing day-to-day investment and collateral relationships with banks and securities dealers. The program is a success, with almost 1,300 accounts and over \$3.2 billion invested. In addition, the State invests approximately \$1.4 billion in the fund.

The administrative cost for all participants is the same at present, although it may be decreased for LGIP Internet Banking participants in the future. The overall goal of the program is to operate in a manner that ensures that the public maintains confidence in the State's ability to fulfill our responsibilities.

Through a robust and secure interface, financial staff from various locales manage their accounts that have been created with the State. In addition, LGIP users and State Treasury workers are able to obtain statistics and information concerning investment accounts and system usage.

The application enables local governments to have the following capabilities:

- Immediate control of their own banking transactions
- Immediate access to information by participants
- More efficient processing-automation of the process
- The ability to deposit and withdraw funds through use of the automated clearing house (ACH) thereby offering a lower cost option versus wire transfers
- Immediate confirmation of transactions via electronic mail rather than postal mail
- Immediate access to account information

The ultimate goal is to eliminate the mailing of monthly statements.

Application Description

LGIP is written in Oracle 9ias and runs against an Oracle database. It employs a multi-tier security architecture that provides for maximum security and is monitored constantly to ensure that it is up to date with the latest technology and threat mitigation. It is protected by a firewall and the application server is separated from the web server by another firewall. Intrusion detection software scans for unauthorized entry into the LGIP operating environment.

Communication between the LGIP user and the LGIP application is encrypted using 128-bit Secure Socket Layer (SSL) protocol. Application security includes the use of user ids and passwords and the assignment of role-based access. The application is hosted in a fault tolerant network and backups are stored offsite. The application began as a pilot August 2000, was revamped and implemented July 17, 2002.

With the need for security being of paramount importance to both the customers and the state treasurer, the application was identified as the initial application for the State of Tennessee's first security posture assessment. Findings enabled the Treasury Department to strengthen an already secure application. The application is now part of the security review conducted quarterly on all of the State's portal applications.

Significance

The significance of the system is illustrated through further examination of the capabilities provided to the local governments.

- Immediate Control of Banking Transactions – The WEB application is available from 6:00 am to 6:00 pm central time, Monday thru Friday. The LGIP customer is able to perform deposits, withdrawals, transfers, balance inquiries, or even review statements from the previous twelve months.
- Ability to deposit and withdraw by Fed Wire or by ACH – The LGIP participant may choose to have their deposit or withdrawal financial transaction performed by Fed Wire or by ACH. By choosing ACH, in many cases, the fees charged by banks are less and the funds are available at the beginning of the following day.
- Immediate confirmation of transactions – The LGIP customer is presented with a printable confirmation form as well as receiving a follow-up e-mail confirmation.
- Immediate access to account information – The “real-time” balances are available as well as account transaction history.

There have been 1,231 transactions recorded from July 17, 2002 to April 9, 2003. The system averages approximately 125 transactions per month. The LGIP Internet Banking Application began with eight participants in July 2002. Participating entities increased to 45 by the end of March 2003. Projections indicate that 75 entities will use the LGIP Internet banking application by September 2003.

Benefits

- The LGIP Customer has more control over the financial transaction activity involving their LGIP account, including the timing of transactions and the access to account information.
- There are fewer errors because the customer keys the transaction directly into the application.
- The system reduces the opportunity for errors in the transmission and recording of transaction requests.
- The application, and all of the services it provides, is offered to the customers at no charge.
- The time delays and anxiety regarding the status of transactions is removed for the LGIP customer because of “real-time” access.
- The application treats security and internal controls in a manner similar to those in place in similar organizations, such as banks and insurance companies
- The application reduces the amount of “manual” work required by Treasury staff (i.e., receiving paper or phone instructions from customers and then inputting into systems to process requests).
- The Treasury LGIP Support staff is free to perform other critical functions.

System Functions

The following are the major business functions provided by the system:

- Request a withdrawal

ACCOUNT INQUIRY
DEPOSIT
TRANSFER
WITHDRAWAL
VIEW STATEMENT
HOME
LOG OUT →

WITHDRAW FUNDS FROM AN LGIP ACCOUNT

1. Select the settle date and the total amount to withdraw. Please note that withdrawals submitted after 11 AM Central time will be processed on the next business day.

Settle Date / / (mm/dd/yyyy)

Withdrawal Amount \$.

2. Select LGIP accounts to withdraw from and the amount to withdraw from each one.

Account to Withdraw from	Available Balance <small>Does not include non-settled deposits, but does include withdrawals that have not been voided.</small>	Amount left to distribute: \$0.00 RECALCULATE
<input type="text" value="183088-1"/>	\$156,080.96	\$ <input type="text"/>
<input type="text" value="183089-2"/>	\$300,522.64	\$ <input type="text"/>

3. Choose a bank to receive the funds withdrawn:

SUBMIT

- Inform Treasury of an incoming deposit

DEPOSIT INTO AN LGIP ACCOUNT

1. Select whether to deposit by either [ACH Deposit](#) from a bank account to an LGIP account or a [Wire Transfer](#) to an LGIP account.
 - ACH Deposit (*Bank selection required*)
 - Wire Transfer
2. Select the settle date, the bank where the funds will come **from**, and the total amount of the deposit. **Please note that deposits submitted after 11 AM Central time will be processed on the next business day.**

Enter Settle date / / (mm/dd/yyyy)

Amount \$.00
3. Choose distribution of total deposit amount:

Account	Available Balance <small>Does not include non-settled deposits, but does include withdrawals that have not been voided.</small>	Amount left to distribute: \$0.00
1. <input type="text" value="Select Account"/>	\$0.00	\$ <input type="text"/>
2. <input type="text" value="Select Account"/>	\$0.00	\$ <input type="text"/>
3. <input type="text" value="Select Account"/>	\$0.00	\$ <input type="text"/>

SUBMIT

- Ability to transfer funds between their LGIP accounts

LOCAL GOVERNMENT INVESTMENT POOL
Online Account Management

ONLINE DEMONSTRATION

TRANSFER FUNDS BETWEEN LGIP ACCOUNTS

1. Select the settle date and total transfer amount. **Please note that transfers submitted after 3:00 PM Central time will be processed the next business day.**

Settle Date / / (mm/dd/yyyy)

Transfer Amount \$.00
2. Select the accounts you want to transfer **FROM** and specify the amount to each account.

Transfer - Microsoft Internet Explorer provided by The State of Tennessee

Address: https://www.tennesseeanytime.org/lgip/demo/transfer.html

2. Select the accounts you want to transfer FROM and specify the amount to each account.

Account to Transfer FROM	Available Balance <small>Does not include non-settled deposits, but does include withdrawals that have not been voided.</small>	Amount left to distribute: \$ 0.00 RECALCULATE
189663-1	\$186,002.36	\$ 100000 .00

3. Select the accounts you want to transfer TO and specify the amount to each account.

Account to Transfer TO	Available Balance <small>Does not include non-settled deposits, but does include withdrawals that have not been voided.</small>	Amount left to distribute: \$ \$0.00 RECALCULATE
189683-1	\$86,965.55	\$ 50000 .00
189363-2	\$86,552.46	\$ 50000 .00

Done

Start Gr Day D... Tr... Pr... Me... NA... Mi... Pr... 2:50 PM

- Provide balance inquiry and inquiry to transaction history

ACCOUNT INQUIRY ACCOUNT INQUIRY

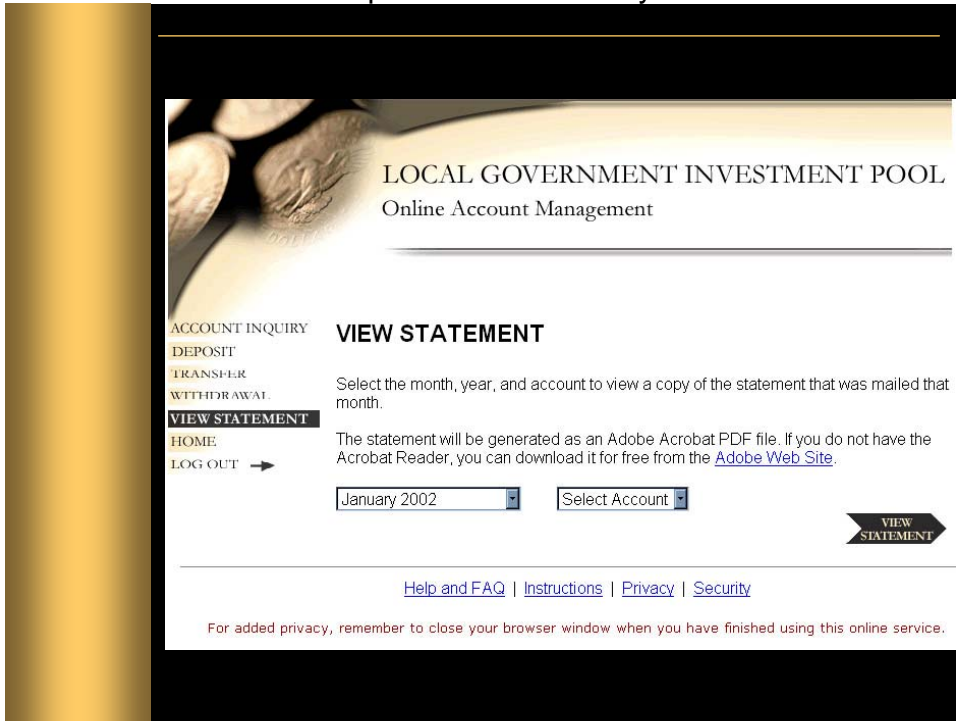
DEPOSIT
TRANSFER
WITHDRAWAL
VIEW STATEMENT
HOME
LOG OUT →

ETOWAH UTILITIES DEPARTMENT
To see account history, click the link on the account number.

Account	Available Balance <small>Does not include non-settled deposits, but does include withdrawals that have not been voided.</small>
554270-1	\$116,382.32
554270-2	\$196,949.77
554270-3	\$717,681.22
554270-4	\$342,605.58
554270-5	\$25,160.12
554270-6	\$15,511.52
554270-7	\$58,652.54
554270-8	\$8,736.64
554270-9	\$172,094.46
554270-10	\$43,872.27

NEXT 10

- Provide access to the previous 12 monthly account statements



Adoption Rate

Report Date	LGIP Participant Count
9/3/2002	12
9/25/2002	16
11/19/2002	23
12/3/2002	27
1/7/2003	29
2/11/2003	40
3/25/2003	45
9/2003 (Projected)	75

The table above illustrates the current and projected adoption rate for the Internet application. The total Internet transactions represent approximately 20 percent of the total transaction activity and the total dollars involved represent approximately 25 percent of the dollar volume.

Return on Investment

The Treasury Department is charged \$2.00 for each withdrawal and deposit transaction by the National Information Consortium (NIC), the State of Tennessee's portal vendor. These financial transactions would cost far more if each one were performed in the previous manner of hand keying the transaction after receiving them via phone calls or fax transmission from the LGIP customer. Furthermore the chance of error is greatly reduced by using the WEB application.

The application has enabled the Treasury Department to offer to their customers increased services at less cost to both the customer and the department.

The following statistics reflect the actual transaction volume from July 17, 2002 through April 9, 2003:

Transaction Type	Transaction Count	Transaction Amount
Withdrawals via ACH	63	\$46,441,693
Deposits via ACH	31	\$19,371,010
Deposits via Fed Wire	270	\$552,386,507
Withdrawals via Fed Wire	495	\$637,197,093
Account Transfers	372	\$1,219,413,135
Total Transactions	1231	\$2,474,809,438.00

On an annualized basis the Treasury Department will pay \$2,300 for the WEB transaction functionality. The savings to the department would be approximately \$6,100 based on the fact that it takes a Cash Management employee approximately 10 minutes to process each transaction on average. This will result in annual savings of \$3,800 per year. The Treasury Department anticipates that the savings will increase annually as more local governments utilize the Internet banking service provided through LGIP. The service is attractive because it is free to the customer. Treasury is able to pay the cost of the transaction fees from the savings mentioned above.