

FINANCIAL MANAGEMENT
FIVE YEAR PLAN
FY 2005 - FY 2009



SEPTEMBER 2004

FINANCIAL MANAGEMENT FIVE YEAR PLAN FY 2005 - FY 2009 TABLE OF CONTENTS

TITLE	PAGE
EXECUTIVE SUMMARY	EX-1
ATTACHMENT I. FINANCIAL MANAGEMENT INITIATIVES: SUPPORTING THE PRESIDENT’S MANAGEMENT AGENDA (PMA)	AI-1
A. IMPROVED FINANCIAL PERFORMANCE	AI-1
1. Streamline Financial and Accounting Processes to Generate More Timely and Accurate Financial Data	AI-1
2. Obtain and Sustain Clean Audit Opinions	AI-1
3. Eliminate Reportable Conditions and Noncompliance ...	AI-2
(a) Reportable Conditions	AI-2
(b) FFMIA Noncompliance	AI-3
4. Meet Accelerated Year-End and Periodic Reporting Requirements	AI-3
5. Improve Financial Reporting	AI-4
6. Strengthen Cost Accounting and Expand Cost Information Available to Managers	AI-4
7. Minimize Erroneous Payments	AI-5
B. BUDGET AND PERFORMANCE INTEGRATION	AI-5
C. E-GOVERNMENT–EPA’S FINANCIAL SYSTEM	AI-6
1. Provide EPA with a Modern Comprehensive Financial Management System	AI-9
2. Provide EPA with a modern Integrated Payroll and	

Human Resources (HR) System	AI-9
3. Continue to Deploy E-Travel	AI-10
4. Increase the Use of E-government Tools for Grants	AI-10
5. Integrated Acquisition Environment and Vendor Payment	AI-11
6. Offer Common Administrative Services to Achieve Efficiencies and Reduce Costs	AI-13
D. INVEST IN HUMAN CAPITAL	AI-13
ATTACHMENT II. ACCOMPLISHMENTS, FUTURE INITIATIVES, MILESTONES, AND EXPECTED RESULTS	AII-1
A. IMPROVED FINANCIAL PERFORMANCE	AII-1
Streamline Financial Processes, Sustain Clean Audit Opinions, Eliminate Reportable Conditions and Noncompliance	AII-1
Meet Accelerated Year-End and Periodic Reporting Requirements	AII-2
Improve Financial Reporting	AII-3
Strengthen Cost Accounting and Expand Cost Information Available to Managers	AII-4
Minimize Erroneous Payments	AII-5
B. BUDGET AND PERFORMANCE INTEGRATION	AII-6
C. E-GOVERNMENT - EPA'S FINANCIAL SYSTEM	AII-7
Provide EPA with a Modern Comprehensive Financial Management System ..	AII-7
Provide EPA with a Modern, Integrated Payroll and Human Resources (HR) System	AII-8
Continue to Deploy E-Travel	AII-9
Increase the Use of E-Government Tools for Grants	AII-10

Integrated Acquisition Environment (IAE) and Vendor Payment	AII-11
Offer Common Administrative Services to Achieve Efficiencies and Reduce Costs	AII-12
D. INVEST IN HUMAN CAPITAL	AII-12
ATTACHMENT III. EPA’s FINANCIAL MANAGEMENT SYSTEMS STRUCTURE AND PLANS	AIII-1
A. CURRENT (BASELINE) STRUCTURE OF FINANCIAL AND RELATED SYSTEMS	AIII-1
B. TARGET STRUCTURE FOR FINANCIAL AND RELATED SYSTEMS	AIII-5
C. FURTHER DISCUSSION	AIII-5
ATTACHMENT IV. GRANTS MANAGEMENT	AIV-1
A. COMPLIANCE WITH THE ANNOUNCEMENT TEMPLATE REQUIRED BY OMB	AIV-1
B. IMPLEMENTATION OF THE OMB POLICY REQUIREMENT TO USE THE DUN AND BRADSTREET (D&B) DATA UNIVERSAL NUMBERING SYSTEM (DUNS) NUMBER	AIV-2

C.	COMPLIANCE WITH THE OMB POLICY REQUIREMENT TO POST SYNOPSES OF FUNDING OPPORTUNITY ANNOUNCEMENTS AT GRANTS.GOV	AIV-2
D.	EFFORTS TO USE THE APPLY FUNCTION OF GRANTS.GOV	AIV-3
E.	RECOMMENDATIONS FOR CHANGES IN LAWS TO IMPROVE THE EFFECTIVENESS OF GRANT PROGRAMS	AIV-3
F.	COSTS RELATING TO GRANTS MANAGEMENT	AIV-4
	ATTACHMENT V. FY 1999 REMEDIATION PLAN	AV-1
	INTRODUCTION	AV-1
	FINANCIAL SYSTEMS SECURITY PLAN IMPROVEMENTS	AV-1

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Each year the Environmental Protection Agency (EPA) Office of the Chief Financial Officer (OCFO) prepares a Financial Management Five Year Plan as required by the Chief Financial Officers (CFO) Act. The Plan is intended to demonstrate support of government-wide initiatives set out in the Federal Five Year Plan. In recent years, this requirement was folded into the preparation of agencies' budget submissions, as outlined in Office of Management and Budget (OMB) Circular A-11, "Preparation, Submission and Execution of the Budget."

The five attached documents, which were prepared in accordance with OMB Circular A-11, Section 52, "Information on Financial Management," constitute EPA's Fiscal Year (FY) 2005 through FY 2009 OCFO Five Year Plan. These documents provide an overview of key Agency financial management initiatives, particularly those in support of the President's Management Agenda (PMA), and thereby communicate our accomplishments and our priorities to the public, OMB, Congress, other Federal agencies, and EPA at large.

The PMA, toward which many of our activities are focused, has challenged all federal agencies to improve their performance in a wide range of areas. The public relies on government agencies and employees to provide goods and services using taxpayers' funds efficiently and for their intended purpose. EPA has long taken this responsibility seriously, and fortunately, the Agency laid the groundwork for a number of the Administration's initiatives in the areas discussed below. The PMA added clearer focus and new energy and resolve to these efforts.

Attachment I describes EPA's financial management goals and strategies in support of the PMA.

Improved Financial Performance

Under Improved Financial Performance, we are proud to report that the White House awarded EPA the Presidential Management Excellence Award in recognition of its exemplary performance in this initiative for integrating financial performance with other PMA initiatives and agency management systems. Some of the Agency's recent accomplishments and its ongoing and future actions to ensure continued success in improving financial performance include:

FY 2004 Accomplishments:

- Received an unqualified opinion on the FY 2003 financial statements;
- Produced accelerated interim quarterly financial statements accurately and timely;
- Produced accurate and timely financial information used by management for decision-making;
- Performed improper payments risk assessment which identified EPA has no areas in which high risk improper payments exist;

- Completed interface between EPA's Integrated Financial Management System (IFMS) and the Department of Treasury's Automated Standard Application for Payments (ASAP) to automate grant payment process without incurring any material weaknesses;
- Participated on the E-Travel System (ETS) Management Advisory Board sponsored by GSA which includes representatives from other Agencies and Departments;
- Developed a framework to guide the Agency's future efforts in integrating financial and performance information for management decision making; and
- Closed reportable conditions identified in the FY 2003/2002 OIG Financial Statements Audit and collaborated with the OIG to develop workable solutions to remaining open actions.

Future Initiatives

- Achieve clean audit opinion on the EPA audited financial statements;
- Issue the EPA Annual Report 45 days after the fiscal year;
- Improve financial reporting by integrating performance and financial reporting through the use of the Office of the Chief Financial Officer Reporting and Business Intelligence Tool (ORBIT);
- Improve our understanding of and continue to make significant strides at correcting Improper Payments;
- Deploy E-Travel Agencywide; and
- Replace legacy Financial Systems to meet FMFIA and FFMIA reporting requirements and improve overall financial management performance.

Budget and Performance Integration

In addition, we highlight our efforts to support the PMA on Budget and Performance Integration. EPA is a government-wide leader in integrating budget and performance. The Agency's planning, budgeting, and financial management infrastructure is derived from the Strategic Plan framework of long-term goals and objectives. As a result, any consideration of EPA resources takes place in light of what the Agency intends to accomplish with those resources. EPA's recent accomplishments and its ongoing and future actions to ensure continued success under this PMA include:

FY 2004 Accomplishments

- Regional Plans—in FY 2004, for the first time ever, Regions produced final Regional Plans, which reflect consultation with States and Tribes and identify how Regions will make progress toward relevant Agency objectives and sub-objectives over the next three to five years;
- Completed Program Assessment Rating Tool (PART) assessments for twelve new programs and reassessments for nine programs;
- Developed efficiency measures for approximately 85 percent of the 32 PARTed programs;
- Designed and implemented enhancements to the Agency's financial architecture to further integrate planning, budgeting, and accountability;

- Implemented a new streamlined and transparent annual commitment process for EPA Regions, States, and Tribes to engage with national program office in reaching agreement on performance commitments; and
- Developed a streamlined approach to the development of the Agency's 2004 Operating Plan.

Future Initiatives

- Continue to implement the five-goal structure of the EPA's Strategic Plan which integrates planning, budgeting, accounting, and performance information;
- Take advantage of the environmental focus created in the new five-goal structure to continue aligning State, Regional, and Headquarters budgets and performance toward achieving the most important environmental outcomes;
- Develop and improve performance measures and efficiency measures for Agency programs subject to the PART; and
- Issue EPA's new 2006 Strategic Plan.

E-Government

E-government is a PMA area where EPA has received frequent recognition for its initiative and innovation. In October 2004, we will implement a major E-government project to integrate our human resources and payroll systems using the Peoplesoft off the shelf system. This places us far ahead of the curve on this administrative initiative. We are looking at options for replacing our financial management system. The envisioned solution will operate more efficiently, be flexible in adopting evolving government requirements, and improve customer service. Other accomplishments and ongoing and future initiatives under E-government include:

FY 2004 Accomplishments:

- Partnered with eight other CFO Act agencies and OMB to develop a collaborative, government-wide financial management system approach to expand value beyond the individual agencies to focus on government-wide improvements, leveraging agency expertise and buying power and working to standardize systems and processes among the agencies;
- Documented and mapped EPA's Administrative Systems Architecture (ASA), including the Agency's suite of financial applications;
- Completed interface between EPA's Integrated Financial Management System (IFMS) and the Department of Treasury's Automated Standard Application for Payments (ASAP) to automate grant payment process without incurring any material weaknesses;
- Implemented Integrated Acquisition Environment (IAE) tools such as the Federal Business Opportunities (FBO) and the Past Performance Collections Systems (PPCS) and Past Performance Retrieval System (PPIRS);
- Developed and implemented policy requiring posting of all EPA grants solicitations on fedgrants.gov; and
- Implemented an electronic application on Grants.gov E-APPLY and completed the system to system interface with E-APPLY.

Future Initiatives

- Migrate to the Defense Finance and Accounting Service payroll system at the end of 2005;
- Complete interface between EPA's acquisition and financial system;
- Provide additional administrative services through the working capital fund, and
- Implement the PeoplePlus automated payroll system in FY 2005.

Human Capital

EPA recognizes that recruiting, training, and retaining skilled and motivated employees for the financial management community is the foundation upon which we will be able to achieve our mission in the future. We currently have a number of Human Capital initiatives underway and plan to continue to invest in this area. Some of them are:

FY 2004 Accomplishments

- Implemented Human Capital strategy by identifying areas where we need training in order to enhance productivity, retain staff and enhance accountability;
- Implemented effective performance appraisal evaluation process and awards program for SES and managerial employees;
- Conducted speaking and presentation skills courses as part of EPA's core curriculum;
- Completed a 360 degree feedback process for all managers, supervisors, and team leaders;
- Provided an in-depth supervisory skill course; and
- Developed a new workforce strategy using the Office of Personnel Management's model to guide future human capital initiatives.

Future Initiatives

Implement several initiatives identified in our Human Capital strategy, to include:

- Offer training to address core competencies and technical skills;
- Provide training and educational opportunities to develop workforce;
- Implement recruitment initiatives in an effort to hire highly qualified and skilled personnel;
- Implement retention initiatives;
- Continue succession planning efforts; and
- Encourage managers to utilize and hire from existing intern programs.

Attachments

Attachment II highlights our accomplishments in FY 2004, future initiatives, milestones for these initiatives, and expected results on the initiatives we discussed in Attachment I.

The three remaining Attachments meet other A-11, Section 52 requirements. Attachment III fulfills a longstanding annual requirement for agencies to present an overview of their current and targeted systems structure. Some of this information is also touched upon in Attachment I's section on E-government. Attachment IV discusses a number of grant management initiatives to ensure policy consistency with grantees and other agencies and to improve the usefulness of grant audits. Attachment V provides our report on our Federal Financial Management Improvement Act (FFMIA) Remediation Plan.

ATTACHMENT I

FINANCIAL MANAGEMENT

INITIATIVES

SUPPORTING THE PMA

I. FINANCIAL MANAGEMENT INITIATIVES: SUPPORTING THE PRESIDENT’S MANAGEMENT AGENDA (PMA)

INTRODUCTION

This Attachment addresses the Environmental Protection Agency (EPA) Office of Chief Financial Officers (OCFO) activities in the areas identified by the Office of Management and Budget (OMB) Circular A-11, Section 52, as components of agency plans for improving Financial Performance, Budget and Performance Integration, E-government and Human Capital- - four of the five President’s Management Agenda (PMA) initiatives.

The Attachment discusses our efforts to: (1) maintain clean audit opinions; (2) eliminate reportable conditions and noncompliances; (3) accelerate the production and reporting frequency of our financial statements; and (4) strengthen cost accounting and expand the use of cost information. It also covers our plans and actions to reduce erroneous payments, our success in integrating budget and performance information, a wide range of groundbreaking E-government initiatives in financial management related areas and investments in human capital.

A. IMPROVED FINANCIAL PERFORMANCE

The EPA is proud to be one of the five government agencies to have earned a coveted green status score for “Improved Financial Performance” on the PMA. Our green status was achieved as a result of many of the initiatives addressed below.

1. Streamline Financial and Accounting Processes to Generate More Timely and Accurate Financial Data

Our goals are to prepare useful, reliable, concise, and timely financial reports and to make financial management information readily accessible throughout the year for decision making purposes. EPA’s current initiatives to achieve these goals are: (1) maintain a clean audit opinion; (2) accelerate the financial statement process; (3) implement a standard web-based “business intelligence” financial reporting tool; and (4) strengthen cost accounting and expand cost information available to managers.

2. Obtain and Sustain Clean Audit Opinions

The OMB, the Congress, and the public consider timely statements with clean opinions as an indication that EPA is managing financial resources appropriately

and effectively. EPA has made clean opinions a top management priority.

In a decade of progress toward greater accountability, the Agency has demonstrated its commitment by:

- Providing additional resources for the preparation of the financial statements;
- Improving and automating significantly the statement preparation process; and
- Reflecting these priorities in the Agency's Annual Performance Goals (APGs) and Performance Measures (PMs) as shown in the Annual Performance Plan and Budget.

As a result of the Agency's efforts, the FY 2001, FY 2002, and FY 2003, financial statements were submitted timely and with clean audit opinions. Moreover, the Agency is currently in compliance with federal accounting and reporting laws and central agency requirements and expects to remain so in the future.

3. Eliminate Reportable Conditions and Noncompliance

Although we have achieved clean opinions in recent years, the FY 2002 and FY 2003 audit reports did identify a number of reportable conditions and compliance issues. We have made considerable progress in resolving these issues, as described below.

(a) **Reportable Conditions.** The FY 2002 and FY 2003 Financial Statements Office of Inspector General (OIG) Audit Report included eight reportable conditions. Corrective actions for six of these reportable conditions were executed and the reportable conditions were closed. The following are the two reportable conditions that are still open.

- (1) The OIG noted that EPA project officers did not always fulfill their oversight duties related to reviewing and approving Interagency Agreements (IAG) invoices. The OIG recommended improvement in this area. The EPA's Grants Administration Division, which has administrative oversight for IAGs, is providing more in-depth training for project officers on IAG core competencies and emphasizing the importance of collecting and reviewing invoice documentation to substantiate costs.

- (2) The OIG was unable to assess automated application processes and controls for the IFMS. The OIG did not make any recommendation in this area as the OCFO has planned to replace IFMS.

(b) Federal Financial Management Improvement Act (FFMIA) Noncompliances. The OIG audit report also cited the Agency for two noncompliances with the FFMIA.

- (1) Since 1999, the OIG cited noncompliance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4, “Managerial Cost Accounting Concepts and Standards for the Federal Government.” The OCFO and the OIG have met numerous times on this subject. During fiscal year 2003, EPA created enhanced reporting capabilities that allow EPA to determine the direct costs of outputs using the Financial Data Warehouse. Because of this new capability and EPA’s continued efforts, during the FY 2003 audit, the OIG reduced it to a nonsubstantial compliance issue. The OIG still believes the Agency needs to go further to produce full cost reports that are useful to managers. For this reason, EPA’s cost accounting initiatives to further address this issue are described in section 6 below.
- (2) A government-wide issue affecting EPA is the inability of agencies to reconcile intragovernmental transactions with each other. The OIG considered EPA’s inability to reconcile with its trading partner a nonsubstantial FFMIA issue because EPA successfully implemented internal system enhancements and procedures to account for and reconcile its intragovernmental transactions. The OIG did not make any specific recommendation; however, the OIG did encourage EPA to continue its efforts in reconciling the Agency’s intragovernmental transactions to comply with Federal reporting requirements.

4. Meet Accelerated Year-End and Periodic Reporting Requirements

EPA is aggressively managing the financial statement acceleration effort. EPA has adopted government-wide “best practices,” such as having senior management commitment, assigning a project manager to track progress, using estimates and accruals to facilitate reporting, and holding bi-weekly audit status meetings with the CFO and the Inspector General (IG). Not only is it critical to have clean audit opinions, if that information is to be optimally useful to Agency

managers, the Congress, and others, it must be produced as quickly as possible after the reporting periods. Accelerated quarterly financial statements will help us meet this goal. Efforts will continue in the financial statement process to produce: (a) accelerated audited statements, (b) more timely, accurate, and useful interim statements and (c) timely financial data to assess program costs and aid the annual budget formulation process.

5. Improve Financial Reporting

In December 2003, the Agency launched the Office of the Chief Financial Officer Reporting and Business Intelligence Tool (ORBIT). ORBIT is designed to provide users throughout the Agency with improved access to EPA financial, administrative, and operational information. It is an enterprise-wide, web-based portal to Agency information. As of early July 2004, the application has 261 users across EPA's headquarters and regional offices. ORBIT is comprised of two primary reporting modules: an executive dashboard providing users with a quick overview of the Agency's financial and budgetary status through a series of charts and graphs and a standard reporting feature allowing users to obtain more detailed financial and budget information. An ad hoc reporting feature supports the custom reporting needs of users including receivables and receipts, obligation, and other information. Future development phases for the application will include enhancing the dashboard functionality, focusing on programmatic and performance reporting capability, and adding additional data sources beyond the two currently used by ORBIT.

6. Strengthen Cost Accounting and Expand Cost Information Available to Managers

EPA made significant strides in improving financial information and its use in day-to-day operations. EPA's first step in improving financial data was to integrate budgeting with the strategic plan. By integrating the strategic plan with budgeting and spending, 100 percent of EPA's dollars are tied to its strategic plan. This was accomplished by expanding and modifying the accounting string to accommodate the integration of planning and budgeting.

To assess how well EPA's financial systems and information meet the cost accounting requirements of program managers, the OCFO developed a cost information assessment tool to review the needs and capabilities in headquarters and regional offices. One goal was to identify the kinds of cost information that program managers require, and show them how to obtain it. Another was to inform program managers about the wide array of cost information currently available and how they can use it to support decision-making and monitor day-to-day operations. Responses indicated that EPA program managers are knowledgeable about the uses of cost information for managerial decision-

making, that they are using available information on a regular basis for this purpose, and that they are interested in expanding the financial information they normally use.

In Phase II of this cost information assessment, OCFO will continue to educate users on the benefit of cost information and to elicit from Agency managers additional cost information needs and types of information already available in OCFO systems. In addition, OCFO will explore ways to make cost data readily available to Agency program managers. OCFO has drafted a sub-objective crosswalk, a critical step down the path of making cost data readily available.

7. Minimize Erroneous Payments

The Improper Payments Information Act of 2002 (IPIA) and OMB implementing guidance requires EPA to review its programs and determine which (if any) programs have a significant risk of erroneous payments. For programs with a significant risk of erroneous payments, EPA is required to develop statistically valid estimates of erroneous payments and take actions to minimize future erroneous payments. Additionally, under the Defense Authorization Act for Fiscal Year 2002 and OMB implementing guidance, EPA is required to carry out a cost-effective program to identify and recover erroneous contract payments. Recovery auditing may be conducted by outside contractors paid on a contingency fee basis.

B. BUDGET AND PERFORMANCE INTEGRATION

EPA is a recognized leader among Federal agencies in the integration of budget and performance. EPA's focus on results is directly attributable to the work of OCFO on strategic planning, annual planning and budgeting, and annual reporting. Since 1997, EPA has developed goal-based budgets using as their basis the long-term goals and objectives in EPA's Strategic Plan. By moving ahead quickly with our first Strategic Plan in 1997, we were able to apply the structure of our goals and objectives to our Budget and Annual Plan for FY 1999 and initiate Agency-wide implementation of budget and performance integration that year. Agency efforts to integrate budget and performance have strengthened our ability to demonstrate the benefits of environmental protection programs. In recognition of our continuous improvement in this area, EPA was a finalist for the 2002 President's Quality Award for significant accomplishments in budget and performance integration, and the winner of the 2003 President's Quality Award for financial management, which focused on EPA's use of financial and performance information in day-to-day program management and decision making.

In FY 2004 EPA has sustained its focus in improving the way the Agency manages for results and uses cost and performance information in decision making. Accomplishments include: 1) implementing a new financial architecture that provides greater program and project detail in the Agency's accounting system while tracking resources across the five goals in the

Strategic Plan; 2) developing a comprehensive Agency-wide performance measurement improvement strategy that promotes improved measures through measure development and implementation plans and other tools, as well as through consideration of environmental indicators; and 3) developing more outcome-oriented annual performance goals and measures as well as efficiency measures, as outlined above. The new five-goal structure in the Agency's 2003 Strategic Plan is the basis for EPA's FY 2006 planning and budgeting process, thereby further strengthening the Agency's focus on results. A series of meetings featuring unprecedented State and Tribal participation kicked off the FY 2006 planning and budgeting cycle and helped to identify the major performance issues, challenges and opportunities for the Agency as we proceeded to set budget priorities.

In the quarterly PMA scorecards used by OMB, EPA has received seven green progress scores during FY 2003 and FY 2004, the only agency to do so in this area. Examples of progress include structuring the Agency's budget to align with the five goal structure in the 2003 Strategic Plan; revising the Agency's financial architecture to integrate budget, accounting, and performance under the five strategic goals; and budgeting for the full costs of EPA programs. The Agency demonstrated its ability to provide accurate and timely, detailed program cost information and made a commitment to provide more detailed information for selected programs. In addition, the Agency has completed Program Assessment Rating Tool (PART) assessments of 32 programs (including 12 new programs in the FY 2006 annual planning and budgeting process), covering over 60 percent of the Agency's budget. In doing so, the Agency made significant progress in developing outcome-oriented performance and efficiency measures and in demonstrating our ability to calculate the marginal cost of changing performance goals. Through these initiatives and other actions to tie its resources to performance and results, EPA can point to significant accomplishments against the PMA's standards of success.

C. E-GOVERNMENT-EPA'S FINANCIAL SYSTEM

The E-government expansion envisioned in the PMA will significantly improve EPA's financial management and the financial services we deliver to our customers. The CFO Act directs the CFO to "develop and maintain an integrated financial management system, including financial reporting and internal controls. . . ." To implement this provision, OCFO maintains a suite of financial systems to support Agency-wide functions such as payment, collection, accounting, budgeting, and performance measurement. In addition, other Agency offices maintain "mixed" systems to support grant making, acquisitions, and other functions, as well as non-financial systems like human resources (HR) that rely on financial information. Customers of these systems include members of the public who do business with or have interest in EPA, other federal agencies, state and local governments, and EPA staff.

EPA has adopted an aggressive and ambitious E-government strategy to improve financial management (See Figure I-1). EPA's strategy: (1) emphasizes collaboration with other agencies to develop government-wide improvements, (2) emphasizes Agency-wide solutions to coordinate functions of various offices, (3) integrates the development of new systems and modernized work processes through its enterprise architecture; and (4) considers all market

options, such as the options to buy, build, outsource, cross service, and partner with other agencies.

We strive to: (1) improve the accessibility of financial information, including accessibility to persons with disabilities; (2) make EPA more transparent and accountable; (3) establish clear and objective performance measures for systems; (4) build in security and privacy protections up front; and (5) provide the system infrastructure to operate efficiently and to integrate strategic planning, budget and performance. Our focus on Agency-wide and, in some cases, government-wide solutions, is designed to facilitate seamless delivery of services and gain efficiencies for the American people. Our E-government strategy is consistent with government-wide efforts to strengthen the Capital Planning and Investment process required by OMB under Exhibit 300. The strategy helps ensure that EPA's corporate technology investments provide long-term value and produce significant improvement for the Agency-wide performance.

EPA continues to be an active participant in fourteen of the twenty-four projects (including several in the financial management arena) that constitute the PMA for E-government. In addition, EPA is actively participating in five new administration line of business (LOB) initiatives that seek to standardize business practices across government in order to strengthen accountability and leverage efficiencies government-wide. The Financial Management Line of Business in particular will streamline EPA's financial management and lead us to more efficient financial systems.

In addition to directly supporting the PMA, the Agency has demonstrated a commitment to broader E-government goals through a wide variety of business process improvements that simplify exchange and access to information for our citizens, business stakeholders, and state partners.

A dedicated Systems Planning and Integration Staff within the Office of Enterprise Technology and Innovation oversees and coordinates OCFO's E-government efforts. This staff is charged with providing a portfolio management approach to planning, budgeting, developing, and implementing critical financial systems, and serving as Agency lead on many E-government and other information technology initiatives.

The Systems Planning and Integration Staff also coordinates and is responsible for developing the Agency's Administrative Systems Architecture (ASA), one of three major components of the Agency's Enterprise Architecture. The ASA is a framework of Agency administrative business processes, data, applications, and technology. It offers a comprehensive and integrated view of business processes and the information technology that supports these processes, and it ties IT tools and infrastructure firmly to EPA's mission. This architectural approach supports OCFO's IT portfolio and PMA activities.

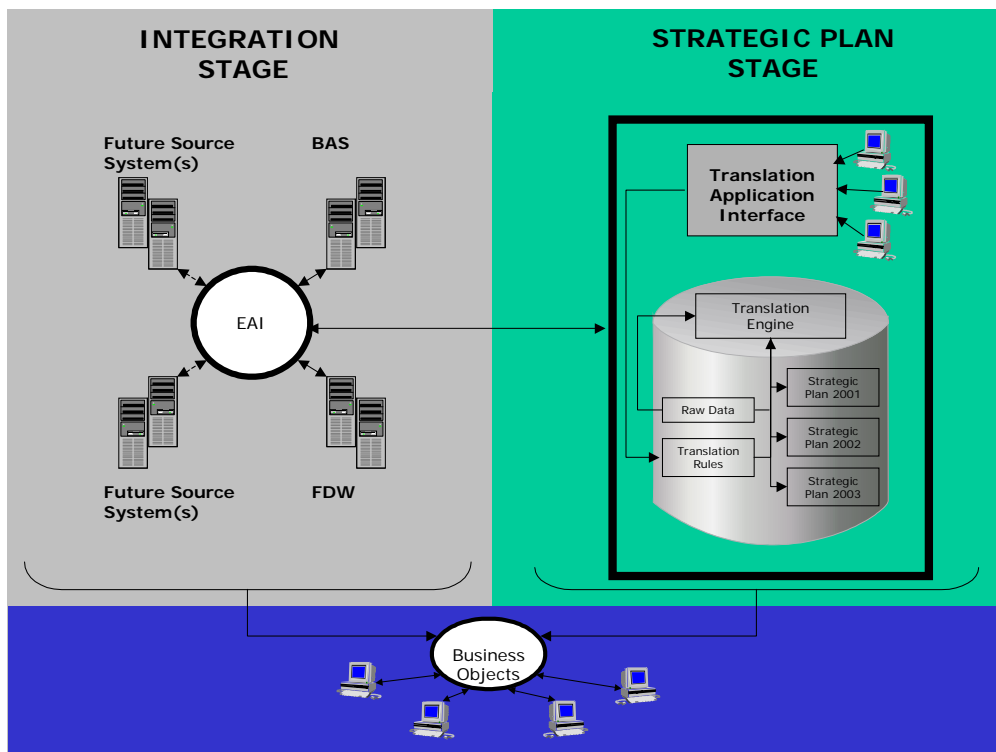


Figure I-

1. Solution Value Proposition for E-Government

Acronyms:

BAS: Budget Automated System
 EAI: Enterprise Architecture Interface
 FDW: Financial Data Warehouse

1. Provide EPA with a Modern Comprehensive Financial Management System

EPA's current financial management infrastructure is a mix of new and legacy systems that perform most functions well and, in some cases, have an outstanding track record of efficient service. The Integrated Financial Management System (IFMS), the Agency's legacy core financial system, dates back to 1989. Other major systems range in age from a payroll system in use since the Agency's founding to a state-of-the-art commercial-off-the-shelf system to reimburse employee travel. Such a mix of systems meets and often exceeds basic needs, but obviously does not make optimum use of today's E-government tools. In addition, a number of smaller applications developed over the years by OCFO and other offices, support various financial management functions. These functions can almost certainly be performed more effectively and efficiently.

EPA, along with most other agencies, was criticized for failure to take advantage of modern E-government tools. Specifically, Senate Appropriations Committee Report 106-410 directs EPA to replace IFMS, "which is outdated and very costly to operate." In addition, new government-wide requirements make continued reliance on legacy systems increasingly difficult and costly. A detailed roadmap showing our current financial systems baseline and our target financial system, including the replacement of its integrated financial management system, is in Attachment III.

2. Provide EPA with a Modern, Integrated Payroll and Human Resources (HR) System

A major E-government project will integrate data now kept in HR and payroll systems and will reduce the number of agencies that are federal payroll providers. Our effort to replace EPA's Payroll System (EPAYS) and related systems with a fully integrated payroll/HR system began in 1999 and places us far ahead of the curve on this Administration initiative.

In FY 2002, the HR portion of the PeopleSoft COTS product was deployed with an interface to EPAYS, and OCFO procured PeopleSoft modules for a new payroll system. Because EPA is a relatively small agency (fewer than 19,000 employees), we are working to leverage our expertise by partnering with the Department of Defense, Defense Finance and Accounting Service (DFAS).

In FY 2003, we continued to work closely with DFAS to leverage our PeopleSoft payroll expertise. DFAS will also benefit from our "lessons learned" as we plan to become one of their payroll customers.

3. Continue to Deploy E-travel

The goal of the government-wide E-travel initiative, which is managed by the General Services Administration (GSA), is to automate and consolidate government travel processes in a web-based environment. This initiative will offer federal employees end-to-end travel services -- planning trips, authorization, reservations, and reimbursement. EPA is in the forefront of travel re-engineering and is a partner agency in this effort.

Over the last few years, we have eliminated nearly all paper documents for most trips, implemented an Agency-wide travel management center, processed over 85 percent of travel vouchers electronically, and reduced the period between submission of a travel voucher and payment to the employee to less than a week in most cases. We began implementing FedTrip, an on-line booking system that significantly reduces the transaction costs of common carrier reservations.

EPA has been recognized for successfully integrating Travel Manager (TM) with IFMS, allowing obligations and payments to flow from TM to IFMS without duplicate data entry. EPA also copied travel related data from both the IFMS and TM systems into our Financial Data Warehouse to support management reporting. We volunteered to document the standard data elements shared between a travel and decision-making payment system and the core financial system, and between a travel payment system and a data warehouse, allowing other agencies to benefit from our experience.

EPA will continue to support the E-Travel initiative by completing a task order with an E-Travel vendor by December 2004. EPA will then begin the design and implementation of an interface between the E-Travel solution and IFMS. While the interface is being implemented, EPA will be working with the Agency employees to begin the implementation of the E-Travel solution within the Agency. The completion date for this effort is September 2006.

4. Increase the Use of E-government Tools for Grants

The government-wide goal is to make the grant process easier, cheaper, and more understandable for applicants and less expensive for agencies. To that end, interagency workgroups are streamlining grant application and reporting requirements and have built a central electronic portal, automating the E-FIND and E-APPLY grants processes for applicants.

The first product of this initiative provides a central source for information on all federal grant opportunities. Solicitations contain an abstract of each opportunity and information on applicability and application procedures. The information is organized in a consistent fashion, making it much easier for applicants to find opportunities and determine if they qualify.

A second element of the initiative is the Grants.gov portal for E-APPLY. This portal allows applicants to apply for grants, receive awards, check status and submit reports. The portal will also use the central vendor database (Central Contractor Registration) as a registry for grantees, allowing grantees to maintain their business and professional information efficiently. EPA has been very involved in this project, participating in simplification efforts on the grant solicitation, application, post award and audit processes. The Agency has also completed successfully posting of an electronic application on Grants.gov E-APPLY and completed a system to system interface with Grants.gov E-APPLY.

EPA has been active in grants automation efforts internally for some time. In partnership with states agencies and the Environmental Council of States, we have developed the Integrated Grant Management System (IGMS). The system automates the grant process from the development of grant guidance through the closeout of the grant. Deployment of IGMS streamlines grant-making and management in EPA and provides a single national system capable of receiving and processing Grants.gov data. EPA is now participating with the other grant making agencies in the development of the Grants Line of Business Common Solutions.

On the payment end, EPA is moving aggressively to make the Automated Standard Application for Payments (ASAP) the Agency standard. ASAP is a Treasury-owned system that allows recipients to request their funds on-line. Thanks to ASAP, EPA was able, in FY 2001, to retire a small legacy grant payment system.

More information about our overall efforts to improve the management of grants is in Attachment IV.

5. Integrated Acquisition Environment (IAE) and Vendor Payment

The Integrated Acquisition Environment (IAE) is an E-government initiative under the PMA. The goals of IAE are to provide government-wide processes that streamline certain acquisition functions, simplify communications between vendors and Federal agencies and allow public access to appropriate information. EPA is an active participant in the IAE, has implemented certain IAE tools and is working toward implementation of additional tools in the near future.

The Federal Business Opportunities (FBO) website provides one-stop shopping for the vendor community to research opportunities for contracting with the Federal government. EPA is fully utilizing the FBO website by submitting synopses of solicitations electronically to FBO and providing automated links from each synopsis to the complete solicitation on EPA's website. EPA's internal acquisition systems generate synopses of all solicitations over \$25,000 for

submission to FBO.

Another set of IAE tools in use by EPA are the Past Performance Collection Systems (PPCS) and Past Performance Information Retrieval System (PPIRS), which provide access to all three past performance systems through a single portal. EPA Contracting Officers enter past performance information about EPA contractors into the National Institute of Health's (NIH) past performance database and research vendor past performance history through PPIRS when evaluating vendor proposals received in response to solicitations.

EPA is planning an interface between the Agency's acquisition systems and financial systems to implement principles of the Joint Financial Management Improvement Program (JFMIP) regarding interaction between acquisition and financial systems. The interface will improve the timeliness and accuracy of funding data available for vendor payment.

The Integrated Contracts Management System (ICMS) now has transactional interface with the Federal Procurement Data System - Next Generation (FPDS-NG) and is successfully sending contract data. EPA has been the leader in this area, sending the most FY 2004 transaction data to FPDS-NG which began in February 2004. SPEDI will begin interfacing with FPDS-NG in October 2004, to meet the FAR requirement for simplified acquisition reporting starting in FY 2005. ICMS currently has a web link to the Central Contractor Registration (CCR) so that contracts personnel at EPA can ensure that a vendor is in CCR before awarding contracts. The Agency is currently working on building a "home" for the CCR data as we anticipate receiving extracts from the Department of Defense (DOD) in the near future.

6. Offer Common Administrative Services to Achieve Efficiencies and Reduce Costs (WCF)

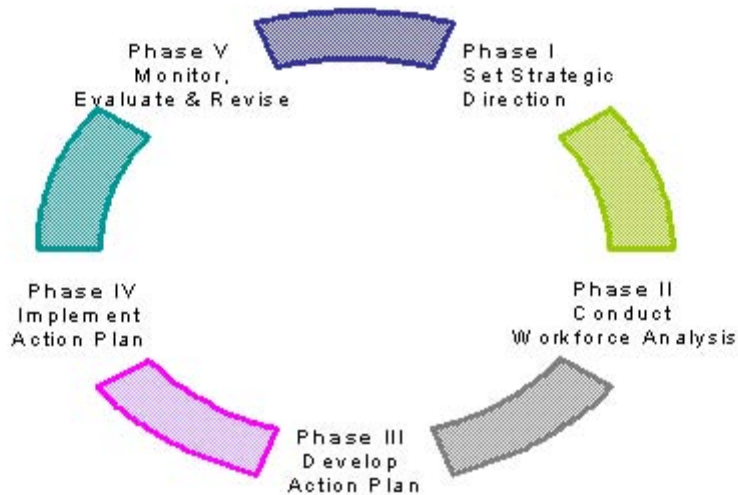
Since its inception, the EPA Working Capital Fund (WCF) has provided administrative services in the areas of information technology, telecommunications and postage. As we continue to add new services, gain experience and achieve cost savings in managing these operations, our objective is to further expand the fund to provide a full range of administrative services for the Agency. This will support the government-wide effort to determine full costs for programmatic activities.

D. INVEST IN HUMAN CAPITAL

OCFO recognizes that organizational success depends on a skilled, diverse, and multi-disciplinary workforce. In 2004, OCFO began a new cycle of workforce planning. Using the

Office of Personnel Management’s Workforce Planning Model and building on past accomplishments, the new strategy will cover all facets of workforce planning. This includes: professional development, recruiting, retention, and realignment of staff to meet OCFO’s mission. This strategy aligns OCFO’s human capital initiatives with the EPA’s Human Capital Strategy and the goals of the President’s Management Agenda.

OCFO’s Workforce Strategy Model



The model's five phases are outlined below:

Phase I - Set Strategic Direction - determines the future functional requirements of the workforce through OCFO's strategic planning process.

Phase II - Analyze Workforce, Identify Skill Gaps, and Conduct Workforce Analysis - collects data on current workforce demographics, skills, and trends; develops a future workforce profile from the mission, vision, and objectives; and analyzes the gap between the current and future workforce profiles.

Phase III - Develop Action Plan - identifies the strategies, programs, and changes needed to address the gaps identified in Phase II. The result is a detailed project plan with actions, milestones, and performance measures.

Phase IV - Implement Action Plan - further defines the "how to" implement the actions identified in Phase III. It includes the coordination, communication, and marketing the plan to management, employees, customers, and the public.

Phase V - Monitor, Evaluate and Revise - measures the effectiveness of the workforce plan. It answers the question: "Were we successful?."

OCFO will continue to implement the training, retention and recruitment initiatives found in our Organizational Improvement Plan (OIP). As we develop our new workforce strategy, we will incorporate the OIP initiatives into a consolidated workforce action plan. OCFO's OIP has four objectives: 1) foster a work environment in which all employees are recognized and valued, 2) promote professional development, 3) achieve a diverse workforce through improved recruitment, hiring and retention, and 4) improve internal OCFO communication. Staff throughout OCFO are active in implementing the OIP's initiatives, and managers are asked to demonstrate leadership through open communication and attention to workforce concerns. It is our belief that these activities will allow each employee to contribute productively to achieving the organization's goals and objectives.

ATTACHMENT II

ACCOMPLISHMENTS,

FUTURE INITIATIVES,

MILESTONES,

AND EXPECTED RESULTS

II. ACCOMPLISHMENTS, FUTURE INITIATIVES, MILESTONES AND EXPECTED RESULTS

A. IMPROVED FINANCIAL PERFORMANCE

The Agency's recent accomplishments and its ongoing and future actions to ensure continued success under improved financial performance include:

Streamline Financial Processes, Sustain Clean Audit Opinions, Eliminate Reportable Conditions and Noncompliance

FY 2004 Accomplishments

- Received an unqualified opinion on the FY 2003 financial statements;
- Implemented policies and procedures documenting reengineered procedures addressing reportable conditions;
- Coordinated EPA's participation as a production pilot for the intragovernmental transactions exchange;
- Completed interface between EPA's Integrated Financial Management System (IFMS) and the Department of Treasury's Automated Standard Application for Payments (ASAP) to automate grant payment process without incurring any material weaknesses; and
- Closed reportable conditions identified in the FY 2003/FY 2002 OIG Financial Statement Audits.

Future Initiatives

- Sustain a clean opinion on the EPA audited financial statements;
- Continue to participate in the government-wide work group to solve problems with reconciling intragovernmental transactions;
- Further automate the financial statement preparation process; and
- Begin process of replacing legacy Financial Systems in order to meet FMFIA and FFMIA reporting requirements and improve overall financial management performance.

Milestones to Achieve Objectives

Tasks	Milestones
Actively participate in a Government-wide work group to solve problems with reconciling intragovernmental transactions	On going
Sustain a clean opinion on the EPA audited financial statements to OMB	Annually
Further automate the financial statement preparation process	FY 2005
Begin process of replacing legacy Financial Systems in order to meet FMFIA and FFMIA reporting requirements	FY 2005

Expected Results

By further automating the financial statements and developing relevant policies and procedures, EPA expects to receive clean audit opinions on its financial statements.

Meet Accelerated Year-End And Periodic Reporting Requirements

FY 2004 Accomplishments

- Produced accurate and timely accelerated interim quarterly financial statements; and
- Completed Quality Assurance Reviews to ensure the accuracy of Agency financial data.

Future Initiatives

- Use the new EPA business intelligence reporting tool to make financial data more readily available for reconciliation purposes;
- Issue Annual Report 45 days after the fiscal year; and
- Submit EPA's Closing Package (the close of financial statements needed for the preparation of the financial report of the U.S. Government (FR)) in accordance with new Government-wide Financial Reporting System (GFRS) requirements beginning with FY 2004. GFRS is an Internet based application used to aid in the preparation of the FR.

Milestones to Achieve Objectives

Tasks	Milestones
Submission of FY 2004 Annual Report	November 2004
Update and issue accounting and financial directives on reengineered processes on a phased-in basis	September 2006
Implement monthly financial statements concurrent with implementation of the new financial management system	FY 2007

Expected Results

By meeting the accelerated due dates for submitting the Annual Report and completing interim financial statements (first quarterly, subsequently monthly), EPA will be able to provide timely and reliable information to the public.

Improve Financial Reporting

FY 2004 Accomplishments

- Launched the Office of the Chief Financial Officer Reporting and Business Intelligence Tool (ORBIT) in December 2003. ORBIT application has 261 users as of July 2004; and
- Successfully developed and implemented the ORBIT user manual and training module and have conducted approximately 10 training sessions.

Future Initiatives

- Enhance dashboard capability, focus on programmatic and performance reporting capability, and add additional data sources beyond the two currently used by ORBIT.

Milestones to Achieve Objectives

Tasks	Milestones
Develop and deploy new Agency-wide standard reports	December 2004
Develop and deploy new Regional AA-ship specific reporting	December 2004
Increase user base to 1,000	December 2005
Develop and launch Agency-wide business intelligence “consultancy” function	December 2005

Expected Results

Enhancement of ORBIT will provide program managers with additional capabilities to allocate resources and control program spending. As managers realize what useful and usable information is available to them, they can be expected to use this information routinely in their day-to-day decision making.

Strengthen Cost Accounting and Expand Cost Information Available to Managers

FY 2004 Accomplishments

- Continued to work with program managers to meet their cost information needs and to ensure that managers were provided with timely, reliable, and consistent cost information. This effort builds upon the FY 2003 comprehensive cost information needs assessment of all headquarters and program offices; and
- Developed a framework to guide the Agency’s future efforts in integrating financial and performance information for decision-making. Based on OMB comments, EPA staff is now developing a detailed financial data integration workplan to identify EPA’s business lines and key business questions, determine data available and data needs, and identify gaps. This work directly supports implementation of the PMA.

Future Initiatives

- Continue addressing immediate program cost reporting needs;
- Continue interim improvements to cost accounting by using the latest technology;
- Complete annual indirect cost rates for Superfund and other programs and activities as applicable; and,
- Determine critical steps needed to create cost accounting reports.

Milestones to Achieve Objectives

Tasks	Milestones
Determine critical steps needed to create cost accounting reports	Third Quarter FY 2005
Continue addressing immediate program cost reporting needs	Ongoing
Continue interim improvements to cost accounting by using the latest technology	Ongoing
Complete annual indirect cost rates for Superfund and other programs and activities as applicable	Annually

Expected Results

As we continue to work with program and other OCFO offices to establish additional coding schemes and system links based on our cost accounting needs assessment, EPA will enhance its ability to provide managers with improved financial information for decision-making.

Minimize Erroneous Payments

FY 2004 Accomplishments

- Continued monitoring the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund for possible improper payments. The incidence of improper payments remains immaterial for financial statement purposes;
- Reviewed all EPA programs to determine if any had a risk of significant erroneous payment. All were found below the OMB threshold for significant erroneous payments;
- Developed an action plan to look at grants, contracts, payroll and purchase card transactions separately for possible erroneous payments and determine how such erroneous payments may be reduced; and
- Awarded a contract for recovery audit services. The contractor will look for possible contract overpayments and seek to recover such amounts. The contractor is paid a percentage of funds recovered.

Future Initiatives

- Continue the use of a recovery audit contractor to discover contract overpayments and assist in ensuring against future contract overpayments;
- Continue reviews of EPA programs to ensure the amount of improper payments remains low;
- Include results of reviews in future annual reports;
- Participate in the inter-agency Erroneous Payment Workgroup to share findings and strategies to discover and eliminate erroneous payments; and

- Continue to review Section 57 programs and proposed actions to modify EPA processes to include reviews of grants at the sub-recipient level to determine if funds are being utilized for their intended purposes.

Milestones to Achieve Objectives

Tasks	Milestones
Continue recovery audit program	Ongoing
Complete reviews of EPA programs for improper payments	February 2005
Compile information from FMOs and recovery audit contractor and determine if any improper payments meet OMB definition of significant improper payments	March 2005
Develop statistically valid estimates and implement corrective action plan (if needed)	May 2005
Include information in the Annual Report on the results of the review	November 2005

Expected Results

These reviews are expected to document EPA’s improper payment potential and validate whether any programs have significant risk of erroneous payments. Rigorous monitoring will ensure that improper payments remain insignificant.

B. Budget and Performance Integration

The Agency’s recent accomplishments, and its ongoing and future actions to ensure continued success under budget and performance integration include:

FY 2004 Accomplishments

- Designed and implemented enhancements to the Agency’s financial architecture to further integrate planning, budgeting, and accountability by providing greater program and project detail in the Agency’s Accounting system;
- Regional Plans—in FY 2004, for the first time ever, Regions produced final Regional Plans, which reflect consultation with States and Tribes and identify how Regions will make progress toward relevant Agency objectives and sub-objectives over the next three to five years;
- Implemented a new streamlined and transparent annual commitment process for EPA Regions, States, and Tribes to engage with national program office in reaching agreement on performance commitments;
- Completed Program Assessment and Rating Tool (PART) assessments for twelve new programs and reassessments for nine programs;

- Developed efficiency measures for approximately 85 percent of EPA’s 32 PART programs; and
- Achieved green progress score on the PMA scorecard for three quarters in FY 2004.

Future Initiatives

The Agency will pursue the following initiatives to attain a green status score under the PMA and continuously improve its integration of budget and performance:

- Continue to implement the five goal structure of the strategic plan which integrates planning, budgeting, accounting, and performance information;
- Take advantage of the environmental focus created in the new five-goal structure to continue aligning State, Regional, and Headquarters budgets and performance toward achieving the most important environmental outcomes;
- Incorporate into EPA’s Budget Automation System specific programs accurate and timely detailed information;
- Complete additional PART assessments during the FY 2007 and FY 2008 budget formulation processes so that 100 percent of agency programs will be assessed by the PART;
- Continue development and improvement of performance and efficiency measures for Agency programs subject to the PART; and
- Issue EPA’s new 2006 Strategic Plan.

Milestones to Achieve Objectives

Tasks	Milestones
Negotiate with OMB the programs to be included in PART for the FY 2007-2008 process	October 2004
Continue to develop and improve performance and efficiency measures for the Agency’s programs subject to the PART	July 2005
Issue EPA’s new 2006 Strategic Plan	September 2006

Expected Results

EPA will increase consideration and use of financial and performance information by senior agency managers to direct program improvements, inform agency planning and budgeting decisions, justify funding requests, management actions, and legislative proposals.

C. E-GOVERNMENT-EPA’S FINANCIAL SYSTEM

The Agency’s recent accomplishments and its ongoing and future actions to ensure continued success under e-government include:

Provide EPA with a Modern Comprehensive Financial Management System

FY 2004 Accomplishments

- Made significant progress in identifying core financial system acquisition and implementation best practices through:
 - Partnering with eight other CFO Act agencies and OMB to develop a collaborative, government-wide financial management system approach to expand value beyond the individual agencies to focus on government-wide improvements, leveraging agency expertise and buying power and working to standardize systems and processes among the agencies. EPA incorporated language developed by the partner agencies into our OMB Exhibit 300 submissions;
 - Surveying nine federal agencies with recent experience with financial system replacement projects to identify the approaches used and the lessons learned;
 - Conducting five one-on-one meetings with other federal agencies to understand their financial system acquisition and implementation processes, gather best practices and lessons learned, and explore collaboration opportunities; and
 - Meeting with leading software and implementation vendors to learn the contractors' perspective on federal financial system acquisition and implementation best practices.
- Documented and mapped EPA's Administrative Systems Architecture (ASA), including the Agency's suite of financial applications;
- Prepared a combined submission addressing all OCFO systems for OMB's Capital Planning and Investment Control review for FY 2003 under OMB Circular A-11, Exhibit 300;
- Completed interface between EPA's Integrated Financial Management System (IFMS) and the Department of Treasury's Automated Standard Application for Payments (ASAP) to automate grant payment process without incurring any material weaknesses;
- Researched and purchased an Enterprise Application Integration tool to simplify and fully automate the connections between systems and provide for workflow automation; and
- Completed a Workforce Assessment study to identify the types, quantities, and timing of skills needed to successfully implement a new financial management system.

Future Initiatives

- Complete implementation of the new system; and
- Continue the interagency collaboration.

Milestones to Achieve Objectives

Tasks	Milestones
Complete implementation of the new system	FY 2009
Continue participating in the interagency collaboration to develop enterprise-based approach, consistent with the PMA to plan and develop financial systems	Ongoing

Expected Results

The collaborative government-wide financial management lines of business project will identify efficiencies and areas for improvement. The project will seek to standardize many business processes across agencies and leverage the government’s buying power to influence vendors to meet more stringent standards at a reasonable cost.

The new core financial system will operate more efficiently, cutting government operating costs. It will conform to new government-wide requirements, including the requirements of the Joint Financial Management Improvement Program (JFMIP), helping make the Agency to be more accountable. It will facilitate integration of Agency planning, budgeting, and performance information. It will also have the flexibility to adapt to changes in the legislative, business, operating, and technical environment; and it will facilitate standardization of processes throughout government.

Provide EPA with a Modern, Integrated Payroll and Human Resources (HR) System

FY 2004 Accomplishments

- Made final preparations to launch the integrated HR/payroll, time, and labor system at the start of FY 2005. During FY 2004, we completed validation testing, re-engineered business processes to maximize the benefits of the integrated systems, trained employees, completed system documentation, and made preparation to migrate to the payroll portion to the Defense and Accounting Service pursuant to the E-payroll initiative.; and
- Continued our preparations to become a payroll customer of the Defense Finance and Accounting Service (DFAS) in FY 2005.

Future Initiatives

- Become a payroll customer of DFAS in FY 2005.

Milestones to Achieve Objectives

Tasks	Milestones
Become a payroll customer of DFAS	FY 2005

Expected Results

The integrated payroll/HR system and the partnership with DFAS will be far more efficient than our legacy systems, cutting government operating costs. The effort will improve services to EPA employees by giving them web-based access to their own information; it will allow EPA to make more types of payments electronically; and it will allow EPA, DFAS, and its other customer agencies to benefit from best practices.

Continue to Deploy E-travel

FY 2004 Accomplishments

- Served as a member of the GSA technical evaluation team to select the E-travel vendors;
- Selected as a member of the GSA eTravel Service (ETS) management Advisory Board which is to work with Agencies to evaluate the ETS vendors;
- Submitted the EPA Migration Plan to GSA by the March 31, 2004 due date; and
- Continued to work with EPA offices to ensure that Travel Manager is used to process all possible vouchers.

Future Initiatives

- Select an E-Travel vendor by December 2004;
- Perform the tasks necessary to implement and integrate the E-Travel system with EPA systems; and
- Begin the deployment of the selected vendor's system by April 2005.

Milestones to Achieve Objectives

Tasks	Milestones
Continue to use Travel Manager to process vouchers	Ongoing
Select E-Travel vendor	December 2004
Interface and integrate E-Travel with Agency systems	April 2005
Begin the implementation of E-Travel	April 2005
Complete E-Travel implementation	September 2006

Expected Results

E-Travel provides direct support for the expansion of E-Government. The E-Travel vision is to deliver a unified, simplified service that delivers a cost-effective travel experience, supports excellent management, and results in superior customer satisfaction. As a collaborative, inter-agency initiative, the purpose of E-Travel is to realize the efficiencies, cost-savings and increased service associated with a common, automated and integrated approach to managing the Federal Government's travel function. The project consolidates travel processes at the Agency level, centrally managed through a customer-centric, self-service, web-based environment. The result is an integrated, easy to use end-to-end travel service on the desktop of every government customer – supporting everything from planning, authorization and reservations to claims and voucher reconciliation.

Increase the Use of E-government Tools for Grants

FY 2004 Accomplishments

- Developed and implemented policy requiring posting of all EPA grants solicitations on fedgrants.gov; and
- Completed successfully posting of an electronic application on Grants.gov E-APPLY and completed system to system interface with E-APPLY.

Future Initiatives

- Electronically transmit grant awards from Integrated Grants Management System (IGMS) to the Finance Offices.

Milestones to Achieve Objectives

Tasks	Milestones
Electronically transmit grant awards from IGMS to the Finance Office	June 2005

Expected Results

EPA's E-grants efforts will improve customer service to grant recipients and applicants and reduce their cost of doing business with the government, cut government operating costs, and provide citizens with readier access to government services.

Integrated Acquisition Environment (IAE) and Vendor Payment

FY 2004 Accomplishments

- Implemented IAE tools, such as provided the Federal Business Opportunities (FBO) and the Past Performance Collection Systems and Past Performance Retrieval System (PPRS); and
- Developed transactional interface with the Federal Procurement Data System-Next Generation (FPDS-NG).

Future Initiatives

- Complete the interface between EPA's acquisition and financial systems;
- Replace legacy acquisition systems with state-of-the-art COTS products that fully leverage IAE initiatives; and
- Implement additional IAE tools, such as Contract Award Documents On-Line (CADO), Electronic Subcontracting Reporting System (ESRS), and ECatalogs, as they become available.

Milestones to Achieve Objectives

Tasks	Milestones
Complete the interface between EPA’s acquisition and financial systems	FY 2005
Replace legacy acquisition systems with state-of-the-art COTS products that fully leverage IAE initiatives	FY2010 (Planned retirement date for legacy systems)
Implement additional IAE tools	TBD

Expected Results

EPA’s efforts to improve its vendor payment process and implement government-wide IAE tools will improve service to our vendor community and reduce the expense and difficulty of doing business with the government, increase internal efficiency and reduce government costs, and help make government more transparent and accountable by improving access to information.

Offer Common Administrative Services to Achieve Efficiencies and Reduce Costs

FY 2004 Accomplishments

- Identified and received Working Capital Fund (WCF) Board approval for six new services to be provided by the Information Technology Activity;
- Established criteria for adding external clients from other Federal Agencies to use EPA WCF services; and
- Achieved an unqualified audit opinion for the first time since the inception of the WCF.

Future Initiatives

- Provide additional EPA administrative services via the WCF; and
- Provide IT services to other Federal Agencies.

Milestones to Achieve Objectives

Task	Milestones
Provide additional administrative services in the WCF	October 2004
Provide IT services to other Federal Agencies	FY 2005

Expected Results

Implementation of these tasks will establish the infrastructure to offer additional administrative services through the WCF. This will enable EPA programs to better assess the full cost of their goals and objectives. In addition, expanding services to other Federal Agencies will result in lower service costs for EPA.

D. INVEST IN HUMAN CAPITAL

FY 2004 Accomplishments

- Implemented Human Capital Strategy by identifying areas where we need training in order to enhance productivity, retain staff, and enhance accountability;
- Implemented effective performance appraisal evaluation process and awards program for SES and managerial employees;
- Conducted speaking and presentation skills courses as part of our core curriculum;
- Completed a 360 Degree Feedback process for all managers, supervisors and team leaders;
- Provided an in-depth supervisory skills course;
- Provided technical training in the areas of computer skills, budget, and accounting;
- Held a monthly video/discussion series on topics of interest such as communication, stress management, conflict management, and diversity;
- Established a Recruitment Team to broaden outreach efforts;
- Developed recruitment targets and strategies and prepared quarterly succession plans; and
- Developed a new Workforce Strategy using OPM's model to guide future human capital initiatives.

Future Initiatives

- Implement several initiatives identified in our Human Capital Strategy, to include:
 - Continue offering training to address core competencies and technical skills;
 - Continue to provide training and educational opportunities to develop workforce;
 - Continue to implement recruitment initiatives in an effort to hire highly qualified and skilled personnel;
 - Continue to implement retention initiatives;
 - Continue succession planning efforts and
 - Encourage managers aggressively to utilize and hire from existing intern programs.
- Continue Organizational Improvement Plan initiatives.

Milestones to Achieve Objectives

Tasks	Milestones
Complete Workforce Strategy - Phases I to III	January 2005
Begin Phases IV and V (Implementation/Monitor)	February 2005
Develop Core and Technical Training Opportunities	On-going

Expected Results

OCFO's new cycle of strategic workforce planning provides a comprehensive framework for planning, implementing, and evaluating our investment in human capital. By working through the workforce model, OCFO will be able to:

- Determine the workforce needed for tomorrow's success;
- Provide a foundation to actively train, recruit, and restructure resources;
- Bridge knowledge gaps due to attrition; and
- Provide an environment that retains employees and supports diversity.

ATTACHMENT III

EPA'S FINANCIAL

MANAGEMENT SYSTEMS

STRUCTURE AND PLANS

III. EPA'S FINANCIAL MANAGEMENT SYSTEMS STRUCTURE AND PLANS

EPA has undertaken a major effort to replace its financial management systems to enhance service delivery not only within the Agency but also to our external customers as well. A brief discussion of the current and future systems structures follows.

EPA's OCFO has taken an architectural approach to developing the framework that supports its financial modernization effort. The financial modernization effort is a major component of the Agency's Administrative Systems Architecture (ASA), which provides the framework for the Agency's Administrative business processes, data, applications, and technology. It offers a comprehensive and integrated view of administrative processes and the information technology (IT) that supports these processes, and it ties IT tools and infrastructure firmly to EPA's mission while supporting the PMA. A brief discussion of the baseline and target architecture follows.

A. CURRENT (BASELINE) STRUCTURE OF FINANCIAL AND RELATED SYSTEMS

EPA has been using a commercial off the shelf (COTS) federal financial system, known as the Integrated Financial Management System (IFMS), since 1989 to support its core financial management and budget execution activities. As IFMS is a mainframe system, it has required many upgrades to accommodate new requirements and demands. In addition, a number of Agency administrative systems have been created to fill requirements that could not be met, in a cost effective manner, through IFMS.

While IFMS handles the core financial management activities such as general ledger, budget execution, funds control, accounts payable, disbursements, accounts receivable and collections, travel, project cost accounting, fixed assets, and standard reporting functions, other administrative systems interface with it to provide other essential financial data. Figure III-1 reflects an internal view of the current architecture within OCFO and illustrates how IFMS interfaces with the Agency's consolidated payroll and personnel system, EPAYS, and the Combined Payroll Redistribution and Reporting System, CPARS, which supports the labor distribution function. Financial reporting is accomplished through the Financial Data Warehouse (FDW), where users can query financial data to research and verify the status of financial transactions, and the Management and Accounting Reporting System (MARS), which provides additional ad hoc reporting.

Other administrative systems outside OCFO interface with IFMS, as well. Figure III-2 provides a diagram of those administrative system links to OCFO's current architecture. Currently, contract obligations and related data are sent from the Office of Acquisition

Management through the Integrated Contracts Management System (ICMS), as are grant obligations from the Office of Grants and Debarment's Integrated Grants Management System (IGMS). Program Offices also interface with IFMS. They get financial data from IFMS for financial status reporting and they send budget execution data to IFMS. By facilitating interfaces to and from IFMS, we reduce duplicate data entry, provide a means for automated edits, and provide timely reporting financial reports..

Figure III-1

Current Architecture – Internal View

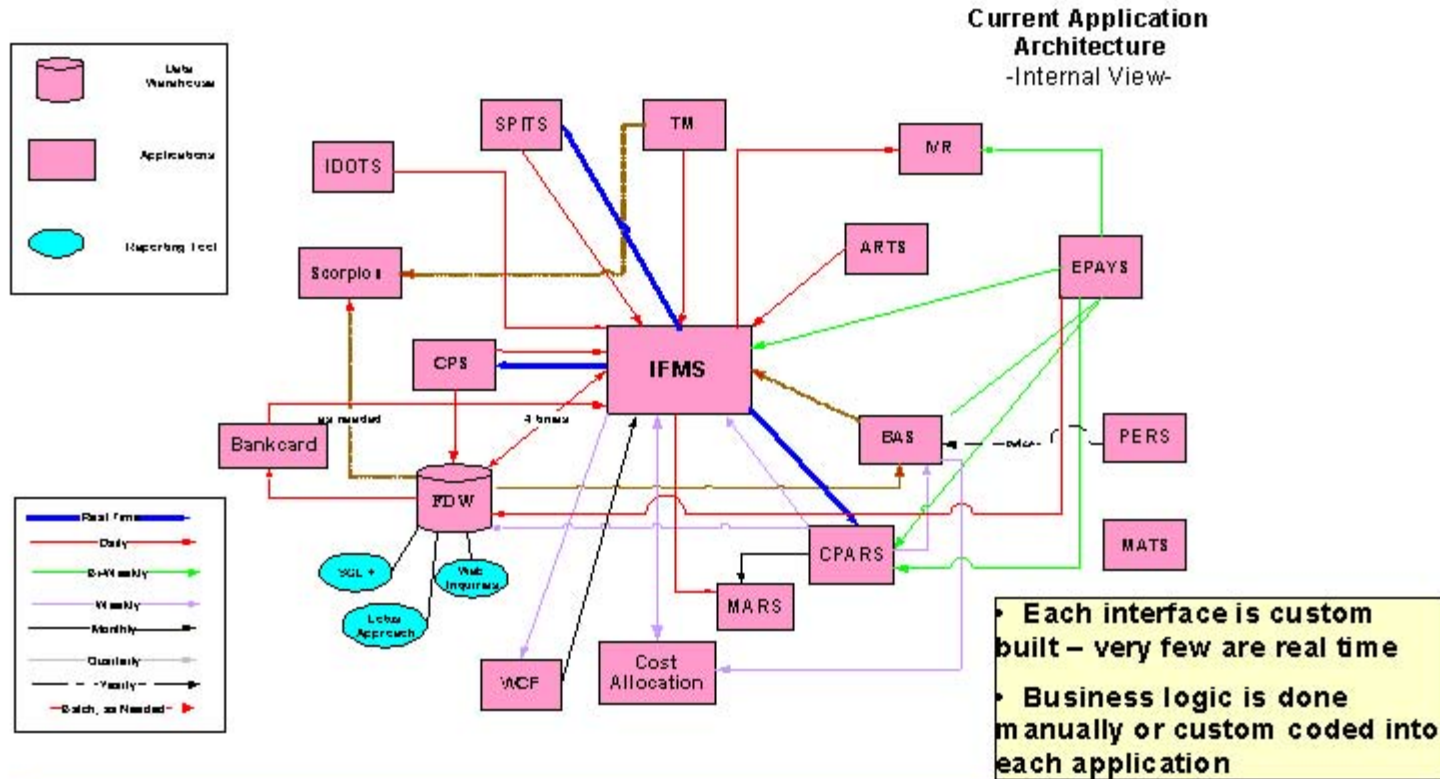
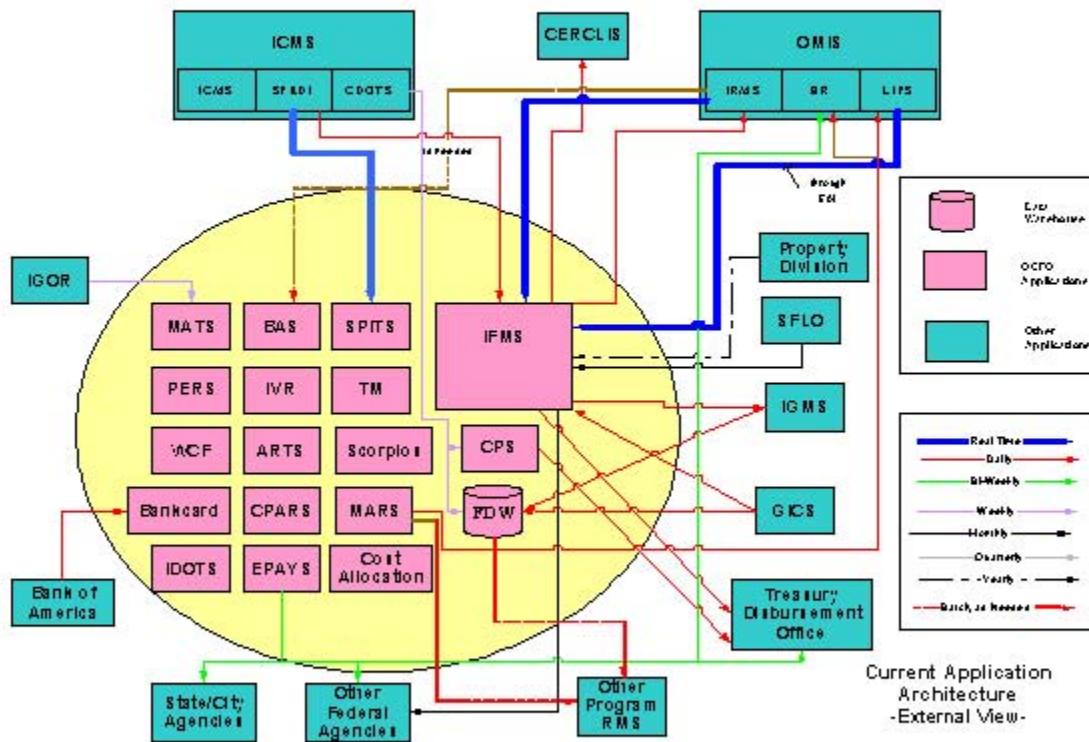


Figure III-2

Current Architecture – External View



Current Application Architecture - External View -

B. TARGET STRUCTURE FOR FINANCIAL AND RELATED SYSTEMS

Over the past decade, new requirements and demands have been placed on EPA's financial systems. We are faced with unprecedented challenges in trying to meet needs of both our internal as well as external customers. OCFO has performed a strategic assessment of its current financial systems to identify opportunities for improvement and make recommendations for the future financial systems architecture. Our goals are (1) to provide our customers a single, efficiently accessible, Agency-wide source of official financial information that will support both the Agency's Strategic Goals and Government-wide improvement goals for financial management, and (2) to ensure that EPA's financial system is supported by industry best practice integration and data warehousing concepts.

From the OCFO perspective, the target architecture of the new JFMIP-certified core financial management system with a blend of EPA legacy systems, as shown in Figure III-3, has been developed and recommended while building upon existing budget, performance management, and cost recovery and imaging applications. We have taken advantage of emerging technologies that will enable us to communicate with internal and external systems to support the transition to new software and manage key financial management system interfaces. We are introducing a new administrative data warehouse, with improvement to the existing financial data warehouse, along with a business intelligence tool that will allow greater access to timely and reliable reporting. A new Payroll Time and Labor system will replace the existing EPAYS and CPARS systems in FY 2005. In addition, Figure III-4 reflects how other administrative systems, external to OCFO, will interact with our new recommended architecture.

C. FURTHER DISCUSSION

A detailed description of EPA's progress in replacing its financial systems is in Attachment I., § C1. Names, abbreviations, and brief descriptions of OCFO systems are in Figure III-5.

Figure III-3

Draft Target Architecture – Internal View

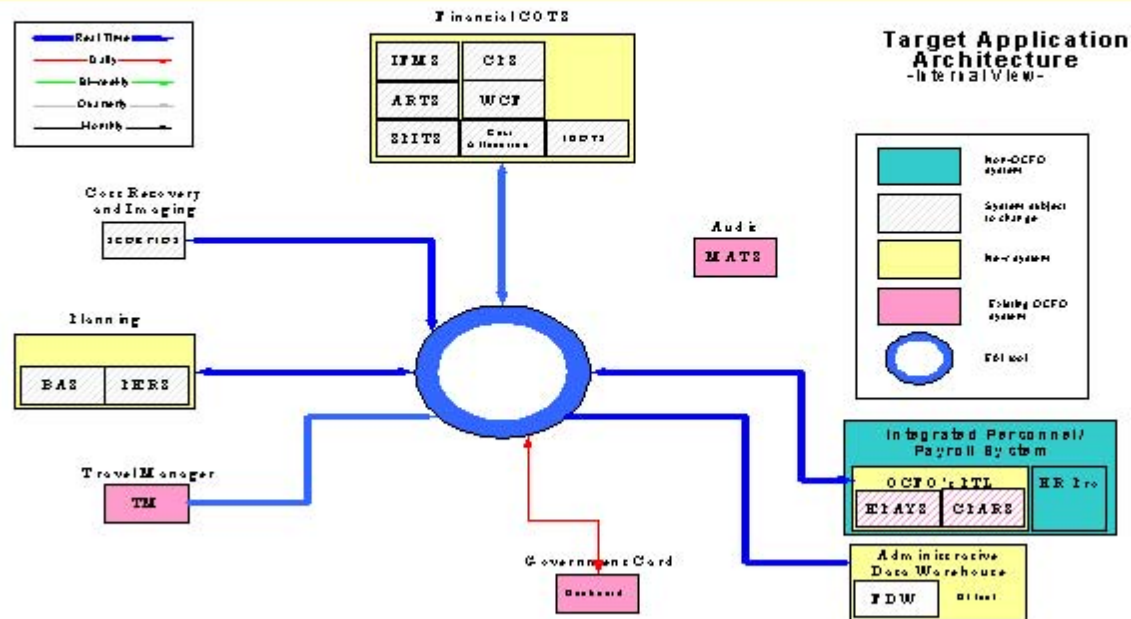


Figure III-4

Draft Target Architecture – External View

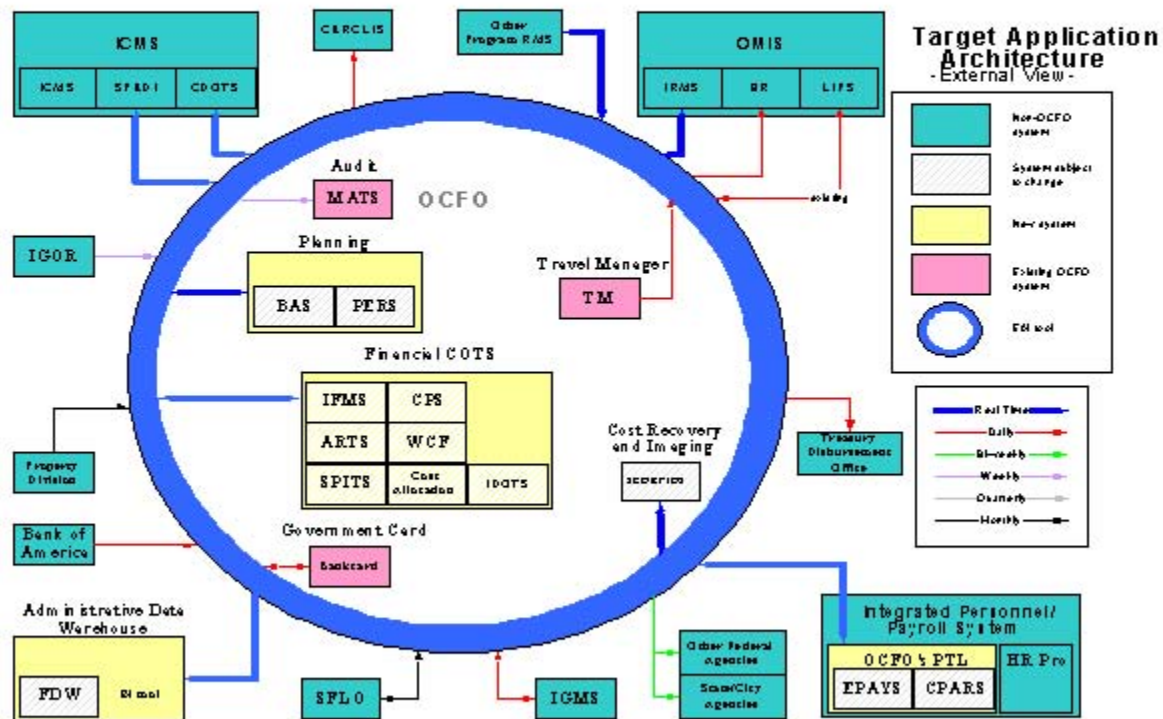


Figure III-5 - OCFO Systems

System Name	Brief Description
Asbestos Receivable Tracking System (ARTS)	ARTS is a microcomputer database application that records and tracks repayments on EPA asbestos removal loans.
Budget Automation System (BAS)	BAS is an EPA designed and developed system, which integrates the Agency's planning, budgeting, execution, and related reporting functions.
Contract Payment System (CPS)	CPS processes payments for EPA contracts and supports an electronic interface to the Department of the Treasury as well as the IFMS.
Combined Payroll Redistribution and Reporting System (CPARS)	CPARS is a labor adjustment system that allows EPA to enter redistribution transactions for current and prior year regional and Headquarters payroll records.
EPA's Payroll and Personnel System (EPAYS)	EPAYS serves as EPA's central data repository of employee's personnel actions, time and attendance, leave and premium information, and payroll and benefits data.
Inter-Agency Document Online Tracking System (IDOTS)	IDOTS tracks payments for interagency agreements.
Integrated Financial Management System (IFMS)	IFMS is the EPA's core financial system. It supports budget execution and accounting functions, such as updating all ledgers and tables as transactions are processed and generates source data for preparing financial statements and budgetary reports.
Financial Data Warehouse (FDW)	FDW is a collection of EPA data from four financial information systems in an Oracle database.
Management Accounting and Reporting System (MARS)	MARS is a reporting application that produces both ad-hoc and standard reports supporting the IFMS and CPARS systems.
Management Audit Tracking System (MATS)	The MATS is a stand-alone application used to collect, integrate, analyze, track and report audit findings and corrective action plans, as required by the Inspector General Act Amendments of 1988.
OCFO's Reporting and Business Intelligence Tool (ORBIT)	ORBIT is a business intelligence tool to provide access to EPA financial, administrative, and operational information for users throughout EPA. It provides an enterprise-wide, web-based portal to Agency information.
Payroll Time and Labor (PTL)/PeoplePlus (PPL)	This system, scheduled to replace EPAYS and CPARS, will serve the payroll processing, time and attendance, labor distribution, and accounting functions at EPA.
Performance and Environmental Results System (PERS)	PERS is a database designed to track and report progress towards meeting the requirements of the Government and Performance Results Act (GPRA).
Superfund Cost Recovery Package and Image On-Line System (SCORPIOS)	SCORPIOS summarizes the dollars spent on Superfund clean up sites and supports the recovery of those costs.
Travel Manager (TM)	TM is a commercial off-the-shelf software that automates the processing of employee travel.
Small Purchase Information Tracking System (SPITS)	The SPITS application is used to support the processing of small purchase payments.
Working Capital Fund Workload & Billing System (WCF)	The WCF application provides billing for technology and core overhead services for the entire Agency.

ATTACHMENT IV

GRANTS MANAGEMENT

IV. GRANTS MANAGEMENT

The Office of Management and Budget (OMB) Circular A-11, Section 52.4, requires a discussion of six areas: 1) how EPA ensures its grant and cooperative agreement program announcements comply with the new announcement template required by OMB; 2) EPA efforts to implement the OMB policy requirement for grant applicants to provide a Dun and Bradstreet (D&B) Data Universal Number System (DUNS) number when applying for any grant or cooperative agreement; 3) how EPA complies with the OMB policy requirement to post synopses of its funding opportunity announcements at Grants.gov, using the government-wide standard data elements for these synopses; 4) EPA efforts to use the APPLY function of Grants.gov for receiving applications under its discretionary grant or cooperative agreement programs; 5) recommendations for changes in law to improve the effectiveness, performance, coordination, and accountability of grant programs, including program-specific statutes; and 6) EPA's costs relating to its grants management function.

A. COMPLIANCE WITH THE ANNOUNCEMENT TEMPLATE REQUIRED BY OMB

Background. On June 23, 2003, the OMB published in the Federal Register a uniform format to be used by Federal agencies when publishing announcements/solicitations for funding opportunities under programs that make discretionary awards of grants and cooperative agreements. The EPA's Grants Competition Advocate (GCA) has issued guidance on the OMB policy directive. This guidance is included as part of the official *Guidance for Implementation of EPA Order 5700.5, "Policy for Competition in Assistance Agreements"* and is posted on the Grants Competition intranet site. OMB's uniform format became effective for use by all EPA headquarters and regional offices that award discretionary grants or cooperative agreements on October 1, 2003.

The implementing guidance explains that the OMB uniform format has two parts: the first part provides overview information and precedes the full text of the announcement; the second part includes the full text of the announcement. The Agency-wide implementing guidance also provides an outline of the information required for each part, and the GCA posted a summary of the uniform format requirements under the "Competition Guides" section of the Grants Competition intranet site.

Action Required by EPA Offices. EPA headquarters and regional program offices are responsible for preparing announcements/solicitations in compliance with OMB's requirements and EPA grant competition policies. The GCA monitors compliance with the OMB requirements and provides assistance to program offices in developing announcements/solicitations.

B. IMPLEMENTATION OF THE OMB POLICY REQUIREMENT TO USE THE DUN AND BRADSTREET (D&B) DATA UNIVERSAL NUMBERING SYSTEM (DUNS) NUMBER

The Office of Grants and Debarment (OGD) has communicated all new requirements, especially DUNS and Central Contractor Registration, to the national Grants Customer Relations Council and reinforced communication with memos, fact sheets, and policy directives. The OGD issued guidance to implement the OMB policy requirements for grant applications to provide a D&B DUNS number when applying for EPA grants and cooperative agreements. The use of a DUNS number for the award of EPA discretionary grants or cooperative agreements became effective on October 1, 2003. The implementing guidance included a “Questions and Answers” document which was distributed Agency-wide.

The “Questions and Answers” document provided information on the following: (1) the party responsible for verifying the accuracy of a DUNS number on applications; (2) how to check the accuracy of a DUNS number; (3) whether Tribes are subject to the DUNS requirement; (4) whether foreign organizations are supposed to obtain a DUNS number; (5) how to notify applicants and recipients of the DUNS requirement; and (6) where to include the DUNS number on the SF-424, “Application for Federal Assistance.”

C. COMPLIANCE WITH THE OMB POLICY REQUIREMENT TO POST SYNOPSES OF FUNDING OPPORTUNITY ANNOUNCEMENTS AT GRANTS.GOV

Background. On October 8, 2003, the OMB published in the Federal Register a government-wide requirement for Federal agencies to electronically post synopses of announcements of funding opportunities under financial assistance programs that award discretionary grants and cooperative agreements using a standard set of data elements. The purpose of the synopsis is to provide potential applicants with (1) enough information about the funding opportunity to decide whether they are interested in viewing the full announcement; (2) information on one or more ways (e.g., an Internet site, e-mail address or telephone number) to get the full announcement with the detailed information; and (3) one common website to search for all Federal grant opportunities by key word, date, Catalog of Federal Domestic Assistance number, specific agency or across agencies. The synopsis requirement became effective on November 7, 2003, for all EPA headquarters and regional offices that award discretionary grants and cooperative agreements.

Actions Required by EPA Offices. The EPA’s GCA Office issued guidance to implement the OMB policy requirement to post synopses of funding opportunity announcements at Grants.gov using the government-wide standard data elements for these synopses. Under the guidance, the GCA’s Office is responsible for posting the synopsis.

D. EFFORTS TO USE THE APPLY FUNCTION OF GRANTS.GOV

EPA's OGD is an active participant in interagency efforts to implement Public Law 106-107, the Federal Financial Assistance Management Improvement Act of 1999. OGD deployed resources to coordinate EPA participation in workgroups and pilots, as well as plan for policy and system changes to fully implement P. L. 106-107 and Grants.gov within EPA.

EPA has begun development of an interface with Grants.govAPPLY. EPA has completed System-to-System testing with Grants.gov and is configuring our Web Services to begin receipt of electronic applications from Grants.gov through Web Services and EPA's Central Data Exchange. EPA is in fact the first agency to bind to the Grants.gov WSDL. Internally, EPA continues to make modifications to the Integrated Grants Management System (IGMS) to accept and act on electronic applications from Grants.gov. Final requirements are in place to implement a 'Staging database' to collect electronic applications and manage them before migration to IGMS for award preparation.

EPA has submitted a "ramp up" schedule to Grants.govAPPLY and anticipates six programs available for application through Grants.gov during FY 2005. OGD and the Office of Research and Development recently posted an electronic application for the Science to Achieve Results (STAR) program. The application process closed on June 22, 2004 and 16 electronic applications were received, which represent about 30% of all applications received for this STAR program. Other programs will be posted later this year. The STAR program pilot will provide valuable experience as we expand the number of EPA competitive grant programs available for electronic application on Grants.gov.

E. RECOMMENDATIONS FOR CHANGES IN LAWS TO IMPROVE THE EFFECTIVENESS OF GRANT PROGRAMS

Background. Consistent with Goal 5 of EPA's long-term Grants Management Plan, **Support Identifying and Achieving Environmental Outcomes**, EPA recommends that OMB consider revising its interpretation of the Paperwork Reduction Act (PRA) at 5 C.F.R. 1320.3(d). This interpretation has the effect of requiring agencies to obtain Information Collection Request (ICR) approval for collecting information from cooperative agreements recipients regardless of whether or not the agency is actually involved in the collection of information.

The current coverage at 5 C.F.R.1320.3(d) provides that collections of information by cooperative agreement recipients are sponsored by the federal agency awarding the cooperative agreement, thus triggering ICR approval requirements. The OMB regulation treats information collections carried out under cooperative agreements the same as those carried out under federal contract. In summary, this means that any collection of information that otherwise meets the requirements for an ICR (e.g., identical questions to ten or more persons) requires that the federal agency awarding the cooperative agreement obtain an ICR. Information collections by grantees are treated differently and trigger ICR requirements only if: (1) the federal agency

makes a “specific request” for an information collection or (2) the terms and conditions of the grant require specific approval by EPA of the collection of information or collection procedures.

Discussion. Cooperative agreements, like grants, are a form of financial assistance and EPA believes that the ICR requirements should be similar. For example, although federal agencies may be substantially involved in discrete activities carried out under a cooperative agreement, if the agency is not substantially involved in the development of the cooperative agreement recipient's collection of information, then the ICR requirements should not be applicable. This change could be implemented by revising the current regulations or by interpreting them to allow a "grant like" term and condition in the agreement. That condition would expressly preclude substantial Federal involvement in information collection activities, but allow the awarding agency to work collaboratively with the recipient to help it carry out other components of the cooperative agreement.

There is support for our recommendation to treat cooperative agreements and grants similarly in the legislative history of the PRA as follows:

A federal agency is considered to “sponsor” the collection of information if the agency itself collects information or if it uses a procurement contract and the contractor collects information for the agency. A federal agency is not considered to “sponsor” the collection of information if a recipient of a grant or cooperative agreement undertakes a collection of information unless the terms and conditions of the grant or agreement provide for approval by the federal agency of such collections (S. Rep. No. 930, 96th Cong., 2nd Sess. 1980).

Conclusion. EPA awards a significant number of cooperative agreements to advance environmental protection. A change in OMB's interpretation of when an agency sponsors a collection of information under a cooperative agreement will enhance EPA's efforts to manage for results by allowing recipients of cooperative agreements to more easily collect information on environmental outcomes.

F. COSTS RELATING TO GRANTS MANAGEMENT

EPA's costs relating to its grants management functions vary at the headquarters offices and from region to region. There are approximately 122 headquarters and regional grants management specialists whose salaries range from GS-5 to GS-14 (\$24,075 - \$96,637). There are twelve headquarters and regional grants management officers whose salaries range from GS-13 to GS-15 (\$62,905 - \$113,674). There are fourteen headquarters grants policy specialists whose salaries range from GS-9 to GS-15 (\$36,478 - \$113,674). There are seven information technology specialists whose salaries range from GS-14 to GS-15 (\$74,335 - \$113,674). The information technology specialists have responsibilities related to grant databases and web

applications.¹

There are approximately 1,704 project officers who have grants management responsibilities for active grants. The following provides an estimate of the percentage of time that headquarters and regional project officers spend on grants management responsibilities:

Range of Time by Percent	Actual Percentage	<i>n</i>
Less Than 10 Percent	37	439
11-24 Percent	27	323
25-50 Percent	16	191
51-75 Percent	9	107
76-99 Percent	5	68
Full Time Project Officer	6	73

¹The range of dollar amounts for the grants management specialists, grants management officers, grants policy specialists, and information technology specialists is based on the 2004 General Schedule, incorporating a 2.7% General Increase - Effective January 2004.

ATTACHMENT V

FY 1999 REMEDIATION PLAN

UPDATED AUGUST 2004

V. FY 1999 REMEDIATION PLAN

INTRODUCTION

This Remediation Plan was prepared to fulfill the statutory requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). FFMIA requires an agency to submit a Remediation Plan when an audit determines that the agency's financial management systems are not in substantial compliance with Federal financial systems requirements, applicable Federal accounting standards and the United States Government Standard General Ledger at the transaction level.

The audit of EPA's FY 1999 financial statements identified four instances of FFMIA substantial noncompliance: (1) the Agency's financial statement preparation process; (2) the Agency's ability to accurately account for costs by goal; (3) missing information on trading partners; and (4) the content and status of financial systems security plans. Corrective actions for the first three items were completed. Provided below is a description of the one remaining item recommended by EPA's Office of the Inspector General (OIG) as a FFMIA substantial noncompliance instance along with the remedies and dates when the corrective actions were completed or are planned to be completed, as appropriate. All of the corrective actions are being accomplished using available Agency resources; no additional resources are required.

A. FINANCIAL SYSTEMS SECURITY PLAN IMPROVEMENTS

In the Fiscal Year 1999 audit report and in the auditors' evaluation of the Agency's response, EPA's OIG expressed concern that: (1) the FY 1998 Remediation Plan did not address issues raised from GAO's audit of EPA's information security program and infrastructure, (2) the "core" financial system security plans still lacked sufficient detail, and (3) the remaining financial and mixed systems did not clearly indicate that they would follow the same remediation steps listed for the "core" systems.

Management acknowledges that efforts to comply with all federal financial system security requirements were, in some respects, incomplete as of September 30, 1999. However, EPA has made significant progress since that time. This progress includes both actions completed and actions planned. For example, EPA has:

- Increased resources devoted to security, including both dollars and staff.
- Arranged for two separate independent reviews of key systems.
- Revised most security plans and developed security plans for new systems.
- Developed Continuity of Operations Plans and Business Continuity and Contingency Plans, which are revised as needed.

FISCAL YEAR 1999 REMEDIATION PLAN (UPDATED AS OF AUGUST 30, 2004)

- Tested disaster recovery plans and, where necessary, improved the plans.
- Enhanced system documentation.
- Conducted security awareness training.
- Increased our knowledge of Federal security requirements and guidance, including discussions with OMB and NIST.
- Improved coordination on security issues between various offices in EPA, including the offices that own systems with financial information, the Office of Environmental Information, and others.
- Developed and implemented procedures that resulted in a virtually seamless rollover to Year 2000.
- Implemented the OCFO Information Security Council to provide direction and oversight to financial and mixed system security efforts, raise significant financial information security issues including those noted by the OIG, ensure coordination with other Agency offices, and support proper security practices.
- Completely implemented 71% of the technical recommendations made by GAO.
- Developed the Critical Infrastructure Protection Plan required by Presidential Decision Directive 63.
- Restricted access to the general purpose network through installation of the Agency firewall.
- Installed intrusion detection capability.
- Reviewed and updated user access profiles.
- Revised the EPA Infosec Manual and the Infosec chapter of the EPA IRM Policy Manual.

Information security operates in a dynamic, rapidly changing environment that requires constant attention and frequent adjustment. The actions listed above demonstrate management's ongoing commitment to meet security challenges.

The EPA Offices responsible for financial and mixed systems, the Office of the Chief Financial Officer (OCFO) and the Office of Administration and Resources Management (OARM), have been working closely with the Agency's Office of Environmental Information (OEI) to address security issues in a coordinated, comprehensive manner. The corrective actions presented below reflect this joint effort and include steps to address the findings from the February 2000 GAO audit.

In addition, for the financial and mixed systems listed in the Agency's Financial Systems Inventory, EPA is using the GAO model for managing information security through a cycle of risk management activities. The risk management cycle includes the following four key steps: (1) assess risk to determine information security needs, (2) develop and implement policies and controls that meet these needs, (3) promote awareness to ensure that risks and responsibilities are understood, and (4) institute an ongoing program of tests and evaluations to ensure that policies and controls are appropriate and effective. EPA will revise, as necessary, the financial and mixed system security plans using this risk-based approach.

FISCAL YEAR 1999 REMEDIATION PLAN (UPDATED AS OF AUGUST 30, 2004)

<u>Actual or Planned Corrective Action</u>	<u>Responsible Office</u>	<u>Target Date</u>	<u>Completion</u>
1. Conduct financial systems OMB Circular A-127 & A-130 compliance reviews	OCFO	06/99	Completed
2. Conduct independent (National Security Agency) information systems security assessments	OCFO	02/00	Completed
3. Begin implementing NSA Assessment Recommendations:			
– Issue OCFO security procedures for password management, validating employee accesses, training needs and incident response procedures	OCFO	02/00	Completed
– Identify and classify confidential information contained in OCFO systems	OCFO	03/00	Completed
– Assess password and user account controls	OCFO	03/00	Completed
– Begin coordination with OEI to develop an Agency Security Risk Assessment methodology.	OCFO	04/00	Completed
– Create OCFO Information Security Council	OCFO	05/00	Completed
– Issue application systems forms for user and supervisor approvals for EPA’s Payroll System (EPAYS)	OCFO	09/00	Completed
– Issue application policy and procedures for the Combined Payroll Redistribution and Reporting System (CPARS)	OCFO	03/01	Completed
4. Conduct risk reviews and prioritize risks:			
-- Grants Information & Control System	OARM	04/00	Completed
-- Integrated Grant Management System	OARM	07/00	Completed
-- Integrated Contracts Management System/ Contract Delivery Order Tracking System/Small Purchase Electronic Data Interchange	OARM	07/00	Completed

FISCAL YEAR 1999 REMEDIATION PLAN (UPDATED AS OF AUGUST 30, 2004)

<u>Actual or Planned Corrective Actions</u>	<u>Responsible Office</u>	<u>Target Date</u>	<u>Completion</u>
5. Publish final EPA Security Program Management Plan	OEI	12/00	Completed
6. Complete risk assessments for critical infrastructure	OEI	12/00	Completed
7. Implement remaining GAO outstanding technical recommendations	OEI	06/01	Completed
8. Conduct risk assessments of major financial and mixed systems:			
Integrated Financial Management System	OCFO	01/01	Completed
Management Accounting & Reporting System	OCFO	01/01	Completed
Combined Payroll Redistribution System	OCFO	01/01	Completed
EPA's Payroll and Personnel System	OCFO	01/01	Completed
Contract Payment System	OCFO	01/01	Completed
Travel Manager	OCFO	05/01	Completed
Budget Automation System	OCFO	01/01	Completed
Superfund Cost Recovery Package Imaging Online System	OCFO	05/01	Completed
Superfund Cost Recovery Collection Tracking System	Region 5	07/02	Completed
Integrated Grant Management System/ Partnership 2000	OARM	01/01	Completed
Grants Information and Control System	OARM	01/01	Completed
Integrated Contracts Management System/ Contract Delivery Order Tracking System/Small Purchase Electronic Data Interchange	OARM	01/01	Completed

FISCAL YEAR 1999 REMEDIATION PLAN (UPDATED AS OF AUGUST 30, 2004)

<u>Actual or Planned Corrective Actions</u>	<u>Responsible Office</u>	<u>Target Date</u>	<u>Completion</u>
9. Revise security policies, procedures, plans for major financial and mixed systems, as necessary, based on the new risk assessments:			
Integrated Financial Management System (Security plan completed. Revised Security Policy planned completion 04/02)	OCFO	04/01	Completed
Management Accounting & Reporting System (Security Plan completed. There is no need to issue a Security Policy because MARS will be replaced by a new reporting tool.)	OCFO	04/01	Completed
Combined Payroll Redistribution System	OCFO	04/01	Completed
EPA's Payroll and Personnel System (Security plan completed. There is no need to issue or revise Security Policy because of EPAYS replacement)	OCFO	04/01	Completed
Contract Payment System	OCFO	04/01	Completed
Travel Manager (Risk Assem't completed 9/01)	OCFO	08/02	Completed
Budget Automation System	OCFO	11/01	Completed
Superfund Cost Recovery Package Imaging Online System	OCFO	12/01	Completed
Superfund Cost Recovery Collection Tracking System	Region 5	07/02	Completed
Integrated Grant Management System/ Partnership 2000	OARM	04/01	Completed
Grants Information and Control System	OARM	01/02	Completed
Integrated Contracts Management System/ Contract Delivery Order Tracking System/Small Purchase Electronic Data Interchange	OARM	02/02	Completed

FISCAL YEAR 1999 REMEDIATION PLAN (UPDATED AS OF AUGUST 30, 2004)

<u>Actual or Planned Corrective Actions</u>	<u>Responsible Office</u>	<u>Target Date</u>	<u>Completion</u>
10. Update security awareness information and conduct additional security training for major financial and mixed systems:			
Integrated Financial Management System	OCFO	10/01	Completed
Management Accounting & Reporting System	OCFO	10/01	Completed
Combined Payroll Redistribution System	OCFO	10/01	Completed
EPA's Payroll and Personnel System	OCFO	10/01	Completed
Contract Payment System	OCFO	10/01	Completed
Travel Manager	OCFO	08/02	Completed
Budget Automation System	OCFO	10/01	Completed
Superfund Cost Recovery Package Imaging Online System	OCFO	12/01	Completed
Superfund Cost Recovery Collection Tracking System	Region 5	07/02	Completed
Integrated Grant Management System/ Partnership 2000	OARM	10/01	Completed
Grants Information and Control System	OARM	10/01	Completed
Integrated Contracts Management System/ Contract Delivery Order Tracking System/Small Purchase Electronic Data Interchange	OARM	10/01	Completed
11. Implement security certification process for key personnel	OARM	06/02	Open
Issue policy on security certification for contractor personnel		TBD	
Issue policy on security certification for grantee personnel		July 2005	
12. Conduct periodic security reviews for major financial and mixed systems	OCFO, OARM, Region 5		Completed
13. Establish process for independent CIO review of security program effectiveness	OEI	06/02	Completed