

**Annual Financial
Management Performance Plan**

ANNUAL FINANCIAL MANAGEMENT PERFORMANCE PLAN FISCAL YEAR 2001

OVERVIEW

The Department of the Treasury has made significant progress in improving financial management since the passage of the Chief Financial Officers (CFO) Act of 1990 and, as required by the CFO Act, previously documented these efforts in an annual, standalone Financial Management Status Report and Five-Year Plan. With the full requirements of the Government Performance and Results Act (GPRA) of 1993 taking hold for the Fiscal Year (FY) 1999 budget submission, Treasury has decided to assimilate all features of the standalone report into the various component pieces required by the GPRA. Specifically, the longer-term, financial management initiatives have been incorporated into the Treasury-wide Strategic Plan for FY 1997-20021 and the related performance results for FY 1999 will be reported in both the Department's comprehensive FY 1999 Performance Report and the audited Treasury-wide Accountability Report. The ensuing discussion constitutes the remaining GPRA requirement for an annual performance plan. It should be noted, however, that unlike most directly linked program budget accounts, the budget accounts for these financial management performance goals are not separate but embedded in the budgetary base.

The **FY 2001 -- Annual Financial Management Performance Plan** is, however, directly linked to the goal in the Treasury-wide Strategic Plan to: **Continue to Build a Strong Institution** and grounded in the specific related management objective to: **Ensure Strong Financial Management of Treasury Accounts**. The Performance Plan was thoughtfully developed by the Treasury CFO Council members, with full bureau representation, using five implementation strategies. Under each strategy are the FY 2001 performance targets and criteria for measuring financial management progress at the Department level. Individual related progress and contributions to achieving these Departmental targets will also be measured at the bureau level.

The financial management vision statement and the FY 2001 performance strategies/goals are listed below. Also, following is a discussion of the financial management systems structure, the impediments to the submission of the required annual audited financial statements, and significant financial management accomplishments through FY 1999.

VISION STATEMENT

Building a strong institution, which ensures sound financial management and stewardship of all Treasury accounts.

¹See both the Departmental overview and bureau specific strategic plans.

STRATEGIES AND GOALS

Financial Systems Strategy -- Create integrated financial management systems by standardizing core data elements Department-wide and developing uniform integration policies, to enable all key Bureau financial data to be aggregated for improved analysis and decision making.

- Implement an enterprise Financial Analysis and Reporting System (FARS) that will provide bureau and Department managers with the information necessary to better manage the Department's resources. FARS will include financial data from the bureaus' core financial systems. In addition, consideration is being given to adding performance data, capital costs, and audit control findings and corrective action plans to FARS in future years. Full implementation of FARS will include web-enabling the system for access by Treasury bureaus and Departmental Offices.
- Partner with the Treasury CIO and HR communities to ensure that new and existing systems interplay with financial management.
- Work with Treasury bureaus in the selection of financial management systems (e.g., core financial, enterprise resource planning, administrative, etc.) that meet their business requirements and are consistent with government-wide and Departmental policies. Provide support during the project as requested by the bureaus.

Completion of the above performance targets will position Treasury financial managers to develop a sound, efficient strategy and methodology for guiding the transition from stovepipe to fully integrated financial systems. Not only will the accuracy, timeliness, and usefulness of financial data be improved by these efforts, the initiatives may also lead to more cost-effective cross-servicing systems arrangements among Treasury bureaus and/or across other Federal agencies.

Performance Management Strategy -- Align budget, performance measurement, and accounting data to produce a cohesive financial information framework that institutionalizes a fully integrated Departmental performance management system that includes budget and cost data in support of the decision making process.

- For FY 2001, implement as appropriate the recommendations laid out in the finance benchmarking study. After conducting the finance benchmark study in FY 1999/2000, which will provide a comparison among Treasury Bureaus, the recommendations will be reviewed and, as applicable, be implemented across the Department.
- Address the requirements and issues of evaluating program performance, and verifying and validating program performance data. Review how well program efforts contribute to program results, and assess the accuracy of program performance data and whether that data truly represents program results.

Completion of these performance targets will enable the Department's financial and program managers to shift from compliance with statutes to improving performance.

Financial Reporting Strategy -- Develop the systems capability and accounting methodology to provide accurate, timely, and unqualified audit opinions on Departmental financial statements, with full cost accumulation for all Treasury programs and activities, to facilitate internal analysis, resolve known high risk control issues, and enhance external financial statement reporting.

- For 2001, review the cost accounting practices/plans across the Department to ensure compliance with the FASAB standards and the degree of uniformity/flexibility needed to capture costs in the manner necessary to prepare the Department's statement of net cost and monthly/quarterly analyses of costs/performance measures.

Completion of this performance target will ensure the Department's full compliance with the accounting and auditing requirements of the CFO Act and the Government Management and Reform Act (GMRA) of 1994. Treasury's credibility as the central financial agency for the Federal Government will also be enhanced upon the achievement of this target.

Human Resources Strategy -- Develop a Department-wide career development plan for financial management, budget and accounting personnel at different grade levels that defines and establishes training and education core competencies, certifications, and on-the-job experiences and promotes rotational assignments across the entire Treasury financial community.

- For 2001, implement a certificate program which recognizes employees who have completed the Career Development Plan and provide a financial management award as part of the Secretary's Awards Ceremony.
- Continue to implement the Career Development Plan and, if applicable, make necessary revisions in order to build a workforce capable of accomplishing Treasury's financial initiatives.

Completion of these performance targets will, over time, increase the competence levels of all Treasury financial staff and position the Department to deal with a more complex, technologically advanced financial management organization. Such enhanced analytical skills are necessary for Treasury's financial management team to achieve the desired transformation from processing financial transactions to becoming business partners with program directors, who need to make decisions utilizing real-time financial information.

Electronic Commerce Strategy -- Improve financial management operations by taking advantage of electronic commerce practices that have proven to be Best Practices and cost effective.

- Develop Treasury-wide management control framework for all electronic financial processes.
- Evaluate the Treasury-wide small purchase and travel card program.
- Implement web-enabled technology on one Treasury financial process.

Completion of these performance targets will reduce manual processing and provide for greater accuracy and more timely processing of transactions. These targets will also ensure that sound internal controls are in place for these new technologies.

PERFORMANCE PLAN SUMMARY

Performance against the five aforementioned strategies will be measured quarterly throughout FY 2001, and in total for the end-of-year, GPRRA required Performance Report. The Treasury CFO Council will also use the quarterly information to refine the action plans for each of the identified performance goals for FY 2001.

PLAN FOR FINANCIAL MANAGEMENT SYSTEMS STRUCTURE

OVERVIEW

The Department of the Treasury is continuing with its initiatives to integrate its financial management systems to provide financial information that is timely, accurate, and relevant. These initiatives include implementing the CFO Vision™ software system, standardizing financial data at the Departmental level, updating bureau core financial systems, and implementing a Department-wide human resources system. As a result of this integration effort, the Department will be able to produce consolidated financial statements in a timely, accurate, and efficient manner, as well as enhance the management of its financial activities.

Treasury has developed a strategy for improving its financial management systems structure and is continuing to implement this strategy. The target financial management systems structure is embodied in the Department's Financial Analysis and Reporting System (FARS). The FARS structure will provide Treasury bureaus with the flexibility necessary to meet their unique business needs and will also provide the data standardization and integration tools needed to meet the Department's reporting and financial management analysis needs.

In the Department's financial management systems plan included in its FY 2000 budget submission, the FARS structure represented the Department's target structure. In this year's plan, because of the Department's substantial progress during FY 1999, the FARS structure represents both the Department's target and baseline financial management systems structures. This financial systems plan acknowledges the Department's progress made thus far in implementing its target structure. The plan also addresses those projects required to implement the target structure.

I. BASELINE

An Overview of Treasury's Current Departmental Financial Management Systems Structure

Treasury's three-tiered FARS approach is shown in Figure 1. Treasury bureaus maintain their own financial and mixed systems to support their unique business needs. The Department maintains a Treasury-wide financial management data warehouse -- the Treasury Information Executive Repository (TIER) -- for meeting Departmental consolidation, analysis, and reporting requirements. TIER receives monthly data from the various bureau core financial systems and provides users with a universal and comprehensive view of data that are standardized and consolidated. CFO Vision™ a commercial off-the-shelf (COTS) system, is an analytical tool that will be used with the TIER data to perform analysis and to generate the Department's consolidated financial statements.

Bureaus

The Department's Inventory of Financial Management Systems reflects Treasury's current baseline of financial management and mixed systems. As of October 1998, the Department's 1998 Inventory of Financial Management Systems lists a total of 182 financial and mixed systems. All twelve of the Department's bureaus currently use COTS software packages as their core financial management systems. Seven bureaus use American Management System's (AMS) Federal Financial System (FFS) software, although two of these bureaus' the Bureau of Alcohol, Tobacco and Firearms (ATF) and the

Federal Law Enforcement Training Center (FLETC) plan to migrate to another AMS software product, Momentum. Of the five non-FFS bureaus, three use Computer Associates accounting software, one uses Federal Success software, and one bureau uses software from Computer Data Systems, Inc. In most cases, bureaus have modified their COTS core accounting software applications to meet their own specific needs.

A number of Treasury's bureaus provide cross-servicing to other bureaus. This enables smaller bureaus to have access to core financial systems without having to maintain the necessary technical and systems architectures. For example, the Financial Management Service's (FMS) Center for Applied Financial Management currently provides the FFS software to two Treasury bureaus through cross-servicing arrangements: the Departmental Offices (DO), FLETC. Through another cross-servicing agreement, FMS is in the process of migrating its administrative accounting function to the Bureau of the Public Debt (BPD). In addition, various Departmental offices and organizations which are managed independently -- such as the Financial Crimes Enforcement NetworkCare cross-serviced by bureaus for core financial management system usage, as well as for accounting and other financial management services.

Other bureaus' including the Bureau of Engraving and Printing (BEP), the U.S. Customs Service (USCS), DO, the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) have indicated their intentions to purchase new core financial management system software. The Department will work with these bureaus as their plans develop.

The Department

On a Departmental basis, Treasury's Office of the Deputy Chief Financial Officer (DCFO) maintains financial management systems that consolidate data from all bureaus. These systems provide the capability to review data at both the Departmental and bureau levels. These systems are TIER; CFO Vision™; the Inventory, Tracking and Closure System (ITCS); and the Performance Reporting System (PRS). These systems form the basis of FARS. FARS will enhance the Department's capability to produce financial management information that meets the needs of Departmental and bureau managers and staff and to produce the Department's consolidated financial statements.

Treasury Information Executive Repository (TIER)

The Department maintains TIER to meet Departmental consolidation, analysis, and reporting needs. TIER is a Departmental data warehouse which currently receives selected monthly financial data from bureaus and other reporting entities. On a monthly basis, Treasury bureaus and reporting entities extract financial data from their respective core financial management systems and transmit those data to TIER. TIER performs automated data validation and edit checks on the bureau data, ensuring that TIER data meet Departmental and Government-wide data standards. Both Departmental and bureau users are able to generate external and internal financial management reports using TIER.

TIER is based on an ORACLE 7.3.3 database, which resides on a VAX cluster that uses the Open VMS operating system. To input data to the TIER data repository, bureaus use Persoft's SmartTerm telecommunication software and the Kermit file transfer protocol. Users can access TIER for reporting and analysis by using SmartTerm either through the local or Treasury network, or by dialing in using a modem.

In early 1999 TIER was migrated from its VAX platform to a Digital Equipment Corporation (DEC) Alpha platform, still within Treasury's VAX cluster. Users have benefited from a marked improvement in performance; TIER can now generate reports and process bureau data transmissions faster. In addition, TIER now benefits from increased security through Treasury's new DECserver, which replaced the Department's antiquated Gandalf Switch in FY 1999. The DECserver is an important security mechanism, which regulates access to the VAX/VMS cluster by remote users. The DECserver helps to ensure that only valid VAX users are able to access the VAX/VMS cluster.

TIER is one of the primary elements of Treasury's Department-wide financial systems integration and standardization strategy. TIER was developed in 1994 and consolidates data from all Treasury bureaus. TIER was a significant factor in the Office of Inspector General's (OIG) 1995 decision to recommend that the Department be removed from the Office of Management and Budget's (OMB) High Risk List for "lack of effective management oversight of systems development activities." With planned enhancements, TIER will contain the structured data necessary to prepare annual audited consolidated financial statements required by the Government Management Reform Act (GMRA) of 1994 (Public Law 103-356). During fiscal year (FY) 1997, TIER was used by the OTS and the Treasury Franchise Fund to generate auditable financial statements. Both the OTS and Franchise Fund financial statements received unqualified opinions by the auditors.

The Department has made significant progress during the past year in working with bureaus to improve the quality and the comprehensiveness of the data submitted to TIER. A data collection plan was developed for collecting the data elements needed for the Department's consolidated financial statements. New data element requirements were implemented to collect additional financial data, and bureaus have completed modifying their core financial systems in order to provide the additional data elements to TIER in their monthly data transmissions. Additional data validation edits were added to TIER for collecting these new data elements, to ensure that bureaus provide data that are of high quality.

Departmental staff have been reviewing and analyzing the quality of data submitted by the bureaus and have been reporting the results of these analyses to the bureaus at both the executive level, through the Treasury Chief Financial Officers Council (TCFOC), and the staff level. Analysts in the Office of the DCFO work continually with bureau staff to clarify new and existing TIER data standards. Some of this analysis has prompted the Department to implement additional data validation edits in TIER which will help to further improve the quality of the data transmitted to TIER.

Departmental automated systems staff have certified that TIER has successfully completed Y2K compliance testing.

CFO Vision™

The CFO Vision™ component of FARS will be used for analyzing and reporting on Treasury's proprietary and budgetary financial data. The monthly financial data transmitted by bureaus to TIER will be consolidated and validated by TIER validation edits. The data will then be extracted to CFO Vision™ to be processed for analyses and *ad hoc* management reports, as well as to produce the Department's consolidated financial statements.

During the past year, Departmental staff have worked with the CFO Vision™ vendor, the SAS Institute, to develop report templates for generating Treasury's financial statements. Thus far, report templates have been developed for the six required financial statements:

- Consolidated Balance Sheet
- Consolidated Statement of Custodial Activity
- Consolidated Statement of Changes in Net Position
- Consolidated Statement of Budgetary Resources
- Consolidated Statement of Financing
- Consolidated Statement of Net Cost

Using CFO Vision™ has proven very helpful to Departmental staff in reviewing the quality of data submitted to TIER by bureaus. The Department will continue to use CFO Vision™ to analyze bureau financial data, generate the Department's financial statements in future years, and provide Departmental and bureau management with more timely, reliable, and consistent financial information.

The CFO Vision™ vendor, the SAS Institute, has provided certification that the CFO Vision™ software is Y2K-compliant.

The Inventory, Tracking and Closure System (ITCS)

Another Department-wide financial management system maintained and managed by the DCFO organization is the ITCS. The ITCS is an essential tool in the Department's compliance with the Federal Managers' Financial Integrity Act (FMFIA) of 1982 (Public Law 97-255) and the Inspector General Act Amendments of 1988 (Public Law 100-504). The ITCS provides support in the Department's efforts to enforce and improve management controls and address audit findings, many of which have potential monetary benefits associated with them.

The ITCS is a Department-wide, interactive, real-time system which includes key information on audit reports issued by Treasury's OIG, the Treasury Inspector General for Tax Administration (TIGTA), and the General Accounting Office (GAO). The ITCS contains a number of automated reports for monitoring and highlighting matters that need to be addressed by Departmental or bureau management. ITCS users can track information on audit reports from the date of issuance through the completion of all action items.

Data on OIG audit reports are uploaded on a periodic basis to the ITCS through an automated interface. Data on TIGTA and GAO reports, as well as management control plans, are entered manually. Bureau users can record planned corrective actions in the ITCS for addressing audit findings and recommendations. Bureau users can also update the current status of those corrective actions on a continuing basis.

Like TIER, and all other applications residing on the Department's VAX cluster, the ITCS now benefits from the tighter security enforced by the DECserver.

Departmental automated systems staff have certified that the ITCS has successfully completed Y2K compliance testing.

Performance Reporting System (PRS)

Treasury is implementing a Strategic Management Process to guide the Department's operations and improve performance. Managing and evaluating programs through the measurement of results is a key part of this process. The PRS is a tool designed to help achieve this by giving policy officials, program managers, and staff access to performance information. The PRS is a web-enabled database of Treasury's Government Performance and Results Act (GPRA) performance data. The PRS became operational in FY 1999 and is now accessed and updated through the internal Treasury intranet, the TreasNet. The TreasNet is available to all Treasury employees through their browsers, but is not available to the public.

Bureaus regularly update their performance data, and users will examine data through *ad hoc* queries and a series of automated reports, some of which are already in production. As appropriate, customized reports are available for specific users or for dissemination on Treasury's public Worldwide Web site. The PRS currently contains data on bureaus' FY 1999 Performance Plans, FY 1999 interim progress reports, and FY 2000 Performance Plans. The PRS also contains historical data from earlier fiscal years.

Departmental automated systems staff have certified that the PRS has successfully completed Y2K compliance testing.

Business Continuity Plan

The Department is developing a business continuity plan (BCP) which addresses how Treasury will continue to perform its mission activities in the event of an emergency and subsequent loss of services to the Department. Among the mission activities addressed in the Department's BCP, such as law enforcement and revenue collection, the DCFO organization is concerned with maintaining continued, accurate Treasury financial information.

The DCFO organization is developing its own BCP which will help to ensure that bureaus continue to provide financial data to the Department in a timely manner in the event of an emergency shutdown. An emergency shutdown -- caused by Y2K-related problems, for example -- could incapacitate computer hardware and software currently used by Treasury bureaus to submit financial data to the Department. In developing the DCFO BCP, DCFO staff are reviewing individual bureau BCP's to verify that all bureau BCP's include plans for submitting financial and audit data to TIER and the ITCS and are consistent with the DCFO BCP with regard to the reporting of financial data.

In addition, the DCFO BCP addresses how Departmental staff will be able to analyze bureau financial and audit data in the event of an emergency shutdown.

The DCFO organization continues to refine its BCP in its effort to minimize the loss of support that the DCFO organization will be able to provide to the Department and its administration in the event of an emergency.

Cost Accounting Systems

The Department is working with a contractor to survey the efforts which bureaus are currently undergoing to implement cost accounting. The results of this Departmental survey will summarize the bureaus' current activities to collect costs, the extent to which they rely on automated systems to collect costs, and describe the current methods used to collect costs throughout the bureaus.

The goal of the Department's cost accounting survey project is to identify the options that the Department and bureaus have for implementing a managerial cost accounting system, as well as for integrating the bureaus' cost information and the Department's Statement of Net Cost. This advancement in financial reporting will fulfill the Department's requirements to produce a cost accounting statement as described by the Federal Accounting Standards Advisory Board (FASAB) numbers 4 and 7, OMB Circular A-134, as well as being compliant with JFMIP's Cost Accounting Standards.

Investment Review Boards

In accordance with the Information Technology Management Reform Act (ITMRA) of 1996 (Division E of Public Law 104-106) and Executive Order 13011, "Federal Information Technology," issued July 19, 1996, the Department of the Treasury established the Treasury Investment Review Board (TIRB) in 1997.

The purpose of the TIRB is to help ensure that major information technology (IT) investments are made in alignment with Departmental and bureau strategic and architectural plans. The TIRB establishes and applies criteria for identifying shared benefits and risks of IT investments, focusing on OMB's criteria (Raines' Rules) for IT investments, risk management issues such as the Year 2000 impact, and evaluation and prioritization of major Treasury-wide IT projects. The TIRB is responsible for approving major capital investments, recommending resource allocations, and monitoring the implementation of approved capital investment projects. Bureau investment review boards, using guidelines provided by the TIRB, will conduct similar reviews of bureau IT investments.

Data Standardization

One of the key factors in producing timely, reliable, and relevant financial information -- as well as auditable financial statements -- is accurate and standardized data. As part of the TIER consolidation, data are standardized to facilitate reporting. Although a great deal of financial data standardization work was accomplished during the first years of TIER development, the Department's Financial Systems Policy Committee has established a Financial Data Standards Subcommittee (FDSS) to continue this data standardization work.

The main goal of the data standardization effort is to provide managers with the information they need to manage their programs. In FY 1998 the FDSS developed several recommendations which were presented to the TCFOC. Two components of these recommendations were (1) to standardize the budget object class at a 3-digit level (from the current 2-digit level), and (2) to standardize the Standard General Ledger (SGL) accounts throughout Treasury by using a Treasury-specific Chart of Accounts. These recommendations, along with a recommendation to implement a data stewardship process, were approved by the TCFOC.

During FY 1999, the Department initiated a project to implement the recommendations approved by the TCFOC. The project team documented the Departmental list of SGL accounts and budget object class (BOC) codes (at the 3-digit level). An inventory of SGL accounts and BOC codes was established for each Treasury bureau and compared to the Department standards. Discrepancies were identified and reviewed by the bureaus and by the Department. This inventory will be maintained in a database for the combined evaluation and management of key data elements.

A pilot data stewardship program is being developed with ATF. Successful implementation of a data stewardship program will enable the Department to maintain standard data elements in an ongoing environment. Based on the success of the pilot, the Department will develop a roll-out plan to other Treasury bureaus.

Data standardization is an important part of the Department's financial systems integration strategy. The data standards which result from the FDSS's efforts will provide consistent definitions of financial data elements and at the same time allow for the uniqueness of bureaus' financial data. It is expected that the FDSS's data standardization efforts will improve the quality of TIER data by increasing completeness, reliability, consistency, and timeliness. As the quality of TIER data improves, the Department will be better able to manage its financial resources and produce more timely, accurate, and consistent financial information.

Implementation of Departmentwide Systems

In some areas, Treasury is working in partnership with its bureaus to migrate toward single, common systems. For example, the Department is currently working with the bureaus to design, develop, and implement a new automated human resources (HR) system which will be driven by business requirements and based on a suite of COTS products, with the PeopleSoft Human Resources Management System as the core.

In studying the current configuration of 98 legacy HR systems used throughout the bureaus, the Department found that these legacy systems rely in most cases on outdated technology, use inefficient processes, and are extremely expensive to use and maintain. Also, these systems often require redundant data entry, do not consistently provide timely or accurate information, and are difficult to use.

The new HR system being developed by the Department and the bureaus will be implemented throughout Treasury over a period of five years and will replace the majority of the 98 legacy systems, which currently support personnel and payroll functions.

The new HR system will provide the Treasury workforce with a flexible array of HR services that are readily accessible, highly efficient, and easy to use. Working with a single integrated system will assist in streamlining personnel processes and make it easier to access and compile information accurately and in a timely manner. In addition, the new system will support strategic HR services, such as succession planning, career development, and staffing alternatives.

By implementing a common system which will be used by all its bureaus (and by replacing multiple legacy personnel systems), Treasury will be able to achieve cost savings in systems operation and maintenance. The Department will also achieve savings by improving the productivity of HR and other administrative staff, as well as by reducing costs for recruitment and turnover.

Two bureaus, ATF and OCC, will deploy the Department-wide HR system on a limited basis to automate their processing of Personnel Action Requests (PAR): the SF 50 Notification of Personnel Action and the SF 52 Request for Personnel Action. OCC plans to begin using the PAR product in October 1999, and ATF plans to begin using it in November 1999. Advantages of automating the processing of PAR's include reduced paperwork, improved tracking and accountability, streamlined processes, and better data for management decision-making.

Bureau Enterprise Systems

In an effort to reduce the problems and inefficiencies associated with non-integrated systems which support varied operations throughout its organization, the Mint implemented its Consolidated Information Systems (COINS) project. COINS is an integrated Mint-wide business enterprise resource planning system with full financial, manufacturing, sales, distribution, and database marketing functionality. COINS includes sophisticated database management and analytical tools and gives Mint managers immediate access to the most current, critical operating information.

COINS replaced many of the Mint's non-integrated financial, manufacturing, and marketing systems which were not Y2K-compliant and did not provide timely, useful information. COINS supports each of the Mint's mission functions as well as current and planned Mint business process improvements. In addition, COINS maximizes the use of COTS software; for example, the enterprise software underlying COINS is a product of PeopleSoft, Inc.

In the area of financial management, COINS provides automatic financial consolidation as well as automated account balancing and reconciliation. COINS also streamlined month-end and year-end processing time and ends a history of redundant data entry.

One of the goals of the COINS project was to correct two of the Mint's outstanding Federal Financial Management Integrity Act/Federal Financial Management Improvement Act deficiencies, both of which were listed in the Department's FY 1998 Accountability Report. One of these deficiencies stemmed from the fact that the diverse range of non-integrated mainframe, manual, and personal computer-based systems which made up the Mint's financial management system could not prepare financial statements from a single source. The Mint has made significant progress in resolving both of these deficiencies, in large part due to its implementation of COINS. Final Resolution of these deficiencies will be determined during the audit of the Mint's FY 1999 financial statements.

The Mint continues to review the information generated from COINS. Currently, the Mint is conducting reviews of the COINS implementation; the COINS data inputs; and the accuracy, reliability, and consistency of the information produced by COINS.

Federal Financial Management Improvement Act Remediation Plans

Based on the FY 1998 financial statement audits, five Treasury bureaus were found to not be in substantial compliance with the Federal Financial Management Improvement Act of 1996: the Internal Revenue Service, the USCS, FMS, the U.S. Mint, and the U.S. Secret Service. The Mint has corrected its FFMIA deficiencies through the implementation of its COINS system. The Mint's compliance with the FFMIA will be verified during the audit of the Mint's FY 1999 financial statements.

In accordance with Section 803 (c)(3)(A) of the FFMIA, the non-compliant bureaus prepared Remediation Plans to bring their systems into substantial compliance. These bureaus continue to work according to their plans in order to achieve compliance with the FFMIA. Bureaus report on the status of their FFMIA compliance efforts to the Department's DCFO organization on a quarterly basis. The Remediation Plans are found in Appendix A of this document.

II. TARGET STRUCTURE

Future Departmental Financial Management Systems Structure

Treasury's target financial management systems structure will build upon the FARS foundation already established. FARS will be the primary element of the Department's target structure. As indicated earlier, because of the Department's progress in implementing the CFO Vision™ software during FY 1999, Treasury's FARS structure now serves as both the baseline and the target financial management systems structure.

FARS is collecting a variety of financial management data, initially the proprietary and budgetary accounting data. FARS includes the following components:

- (1) a financial data warehouse which will consolidate bureau data,
- (2) a dedicated financial data server which will hold consolidated data subsets from the financial data warehouse, and
- (3) a COTS on-line analytical processing (OLAP) decision support tool, which will be used for analysis and reporting.

In the FARS structure (see Figure 1), bureaus will continue to maintain their own core financial management systems. Bureaus and other reporting entities submit monthly data to the central data warehouse, TIER, for consolidation, data validation, and other edit checks. From TIER, the data is available for analysis and reporting by the FARS decision support tools, such as CFO Vision^J.

In the long term, as FARS is expanded to collect additional financial data, it may be necessary to implement additional OLAP decision support tools to support management's needs for information. While CFO Vision™ is used to produce the Department's consolidated financial statements and analyze budget and accounting data, additional COTS packages may be used for managerial cost accounting, assessing performance measurement, and meeting other management information requirements. The FARS tools will perform analyses and generate reports based on the consolidated Departmental data in the financial data warehouse. The FARS tools will also provide drill-down capabilities for analysis of financial data.

Bureaus and other reporting entities will eventually input data to FARS via a Treasury-wide intranet or the Internet. FARS will be based on ORACLE databases; those databases will migrate from the Department's VAX cluster to Windows NT servers. FARS will use graphical user interfaces as well as state-of-the-art decision support tools to administer the system and develop forms and reports.

FARS is intended to be the Department's sole source for analyzing and reporting its consolidated financial information. For example, FARS will be able to generate the Department's consolidated financial statements, analyze audit resolution data, report on performance according to bureau and/or Departmental missions and goals, and generate cost management analyses which can help bureau and Departmental managers identify the various costs associated with providing Treasury's many services to the public. Through the use of quality data and contemporary reporting tools, bureau and Departmental management will receive timely, accurate, and relevant information which is necessary to manage the Department's business.

The Department's target financial management systems structure does not call for a single Treasury-wide financial management system. Rather, the structure strikes a balance between the need to accommodate the unique data requirements of the bureaus and the Department's need for standardized, consolidated Treasury-wide data. Although Treasury does not currently have plans to develop any Department-wide financial management systems, the Department will evaluate opportunities for consolidating systems across bureaus, as appropriate. Treasury's bureaus will continue to enhance their financial and mixed systems to meet their specific missions. They will provide standardized financial data to the Department for consolidation and reporting.

III. PROJECTS REQUIRED TO MOVE FROM BASELINE TO TARGET

The following is a list of systems-related projects which will be essential in implementing the FARS target financial management systems structure.

CFO Vision™ Implementation Project

The first step in the Department's migration to its FARS target structure will be to complete implementation of the CFO Vision™ tool. CFO Vision™ will utilize the monthly bureau data submitted to TIER to generate the following consolidated financial statements, in accordance with OMB Bulletin 97-01:

- Consolidated Balance Sheet
- Consolidated Statement of Custodial Activity
- Consolidated Statement of Changes in Net Position
- Consolidated Statement of Budgetary Resources
- Consolidated Statement of Financing
- Consolidated Statement of Net Cost

In addition, CFO Vision™ will provide Departmental and bureau financial managers with the capability to produce *ad hoc* reports for internal management reporting.

Phase I

The CFO Vision™ software is being implemented in phases. At the end of the current phase, Phase I, the CFO Vision™ tool will be capable of producing Treasury's consolidated Departmental financial statements for FY 1999. It is expected that Phase I will be completed by March 1, 2000.

Staff in the Office of the DCFO worked with representatives from OMB, GAO, the Treasury OIG, the FASAB, and Treasury's FMS to finalize the Department's financial statement formats and content, including the required footnotes. These formats will form the basis of the Department's consolidated reporting.

The data sets which bureaus have transmitted to TIER during FY 1999 were expanded to include additional data elements needed for producing the financial statements. The vast majority of Treasury bureaus have now completed modifications to their core financial systems to collect these additional data elements and submit them to TIER. The Department is working, and will continue to work, with all

bureaus to verify that FY 1999 data submitted to TIER are of the high quality necessary to serve as the basis for the Department's FY 1999 consolidated financial statements.

Parallel Preparation of FY 1999 Financial Statements -- For the audit of Treasury's FY 1999 financial statements, the Department and the Treasury OIG have jointly agreed that Treasury's consolidated financial statements will be prepared using two methods in parallel. First, the bureaus will submit financial statement data to the Department using automated consolidation spreadsheet files, as has been done for the past two fiscal years. The spreadsheet data will be consolidated by the Department and will serve as the basis for the Department's financial statements. These financial statements will be audited by the Treasury OIG and will be included in the Department's FY 1999 Accountability Report.

In parallel with this established method of producing the financial statements, the Department will also generate financial statements from FARS. The bureaus will submit their end-of-fiscal year (EOFY) 1999 financial data to TIER. After validation by TIER, the data will be extracted to CFO Vision™ for further review and analysis by Departmental staff. Consolidated Departmental financial statements will then be generated by CFO Vision™. The financial statements produced by FARS will be reconciled with the spreadsheet-generated financial statements. Any differences between the audited spreadsheet statements and the FARS statements will be reconciled by bureaus.

The Department expects that this parallel process will provide a prudent transition from the existing spreadsheet process to the FARS process for producing the Department's financial statements. Additionally, it will give the bureaus further opportunity to correct any remaining data problems, and will thereby help to ensure that future Departmental financial statements produced by FARS will be accurate reflections of bureau financial activities.

Hardware Migration -- During the implementation of the CFO Vision™ tool, bureaus and other financial reporting entities have continued to input data to TIER using the SmarTerm software and Kermit protocol. Data input and communication via the Internet will not begin until (1) firewall issues have been resolved, and (2) bureaus are prepared to begin transmitting and processing data via the Internet or a Treasury-wide intranet.

In support of the database migration from the current VAX environment to a Windows NT server environment, an interim Windows NT server containing the TIER database is on line and running in parallel with TIER on the VAX. The interim Windows NT server is also being used to support CFO Vision™ development more efficiently. TIER will permanently migrate from the VAX to the interim Windows NT server when the remaining firewall issues have been resolved and bureaus are prepared to begin transmitting and processing data via the Internet. A dedicated CFO Vision™ server is also on line using the Windows NT operating system.

Data input and validation applications have been partially migrated from the VAX to the Windows NT server environment. Most current TIER reports will not migrate, but rather will be replaced by CFO Vision™ reports.

Phase II

Phase II of the CFO Vision™ implementation will involve (1) expanding the CFO Vision™ tool for use by bureaus and other offices within the Department, and (2) developing and implementing additional financial management reports. Through an agreement with the CFO Vision™ vendor, the Department is planning to make a limited number of copies of the CFO Vision™ software available to each Treasury bureau, as well to Departmental analysts in the areas of budget, strategic planning, and executive management. This roll-out of CFO Vision™ began its pilot stage with implementation at BPD and will continue with implementation in DO. This expanded use of CFO Vision™ will enable bureau management to access their data and use the features of this powerful tool to meet their own financial information needs.

The scope of Phase II has not yet been finalized with regard to the development and implementation of additional financial management reports. The Department will develop requirements for new financial management reports after the successful completion of Phase I as the need arises.

TIER

TIER will play an important role in producing the Department's consolidated financial statements by serving as a data warehouse for bureau financial data. The TIER data will be extracted to CFO Vision™ for the actual production of financial statements.

TIER will play another important role in financial reporting by transmitting financial data to the Federal Agency Centralized Trial-Balance System (FACTS) on behalf of Treasury bureaus. The Department will continue its discussions with FMS to determine file layout specifications and other requirements for transmitting data to FACTS. The Department's final decision to transmit bureau FY 1999 data to FACTS will be contingent on the quality of the data which bureaus submit to TIER. Only if the bureau data are of good quality will the Department transmit those data to FACTS.

Inventory, Tracking and Closure System

The ITCS will continue to play a key role in the Department's efforts to ensure that all findings, recommendations, deficiencies, and weaknesses are recorded in a central repository and monitored by the responsible organizations. In FY 2000 the Department plans to migrate the ITCS from its current VAX platform to a DEC Alpha server, still within Treasury's VAX cluster. Users will benefit from the increased performance offered by the DEC Alpha platform.

The Department will evaluate its options with regard to upgrading the ITCS. Possible alternatives would include web-enabling the current system, reviewing COTS products, and evaluating systems currently used within the Federal Government.

Performance Reporting System

Initially, bureaus have been asked to input to the PRS the same performance data reported in the annual budget submission and mid-year performance report. In the future, the Department expects to move to more frequent reporting of certain performance information.

Current development efforts are focused on enhancing PRS reporting capabilities. The Department's Office of Strategic Planning and Evaluation recently completed some new work to develop user

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requirements for additional PRS reports through a voluntary PRS Report Design Task Force composed of PRS bureau users. These will be developed and implemented during FY 2000.

Data Standardization

The FDSS prepared a package for the TCFOC, which (1) proposed standardizing three-digit budget object classes; (2) proposed standardizing SGL accounts based on the mappings from bureau SGL accounts to Departmental SGL accounts; and (3) presented a report on issues and recommendations based on bureau interviews, including recommendations on data stewardship. The TCFOC approved the recommendations at its September 1998 meeting.

Based upon the success of the standardization efforts initiated in FY 1999, the Department will expand the roll-out of the data stewardship program to additional Treasury bureaus. The Department will also evaluate its options for adding new data elements in its data standards program. In addition, the data inventory database will be made available to Treasury bureaus through the Department's intranet.

Figure 1

U.S. DEPARTMENT OF THE TREASURY FINANCIAL ANALYSIS AND REPORTING SYSTEM (FARS)

9/7/99

TOOL KIT
Treasury-wide/Bureau-specific
Analysis, Queries, and Reports

CFO Vision and other On-Line Analytical
Processing (OLAP) Decision Support Tools

DRILL-DOWN
FUNCTIONALITY
Consolidated
Analysis/Reports

HOLDING TANK
Consolidated Data Subsets
from TIER

DEDICATED FINANCIAL DATA SERVER(S) FOR:
- Accounting/Budget Execution Data
- Other Future Data Subsets

FINANCIAL DATA
WAREHOUSE
Treasury Information
Executive Repository (TIER)

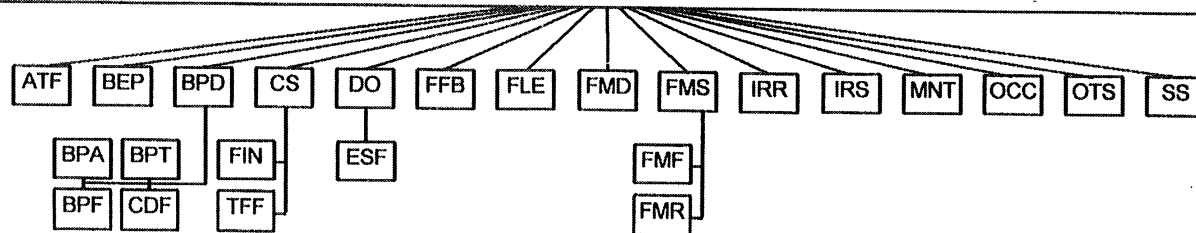
TIER currently only contains the following accounting/budget execution data

- SGL account data
- BOC Crosswalks to 2-digit level

FY 99 additions

- Additional SGL account attributes
- All cost data by budget activity
- Elimination entries
- Footnote information

CORE FINANCIAL
SYSTEMS (43)
Treasury Bureaus/Entities



Data Origin/
Bureau Entry

IMPEDIMENTS TO THE SUBMISSION OF THE REQUIRED ANNUAL AUDITED FINANCIAL STATEMENTS

Achieve an unqualified opinion on the Internal Revenue Service's (IRS) financial statements in a timely manner - The achievement of an unqualified opinion on the IRS financial statements is critical to the Department, and the federal government, receiving unqualified opinions on their statements. For FY 1998, the IRS received disclaimers of opinion on all its administrative statements except the balance sheet, on which it received a qualified opinion. These statements report on the IRS' annual operating expenditures of approximately \$7 billion. This resulted in a qualification on the Department's FY 1998 statements. The IRS audit disclosed that pervasive weaknesses continue to exist in IRS' financial systems, procedures, and internal controls. While extensive efforts are underway to address these problems, we do not expect IRS to receive an unqualified opinion on its FY 1999 administrative financial statements.

For FY 1998, IRS again received an unqualified opinion on its statement of custodial activities, which reports on tax collections of \$1.7 trillion. However, this achievement required extensive, time-consuming ad hoc procedures to overcome pervasive internal control and systems weaknesses. Correcting these weaknesses is key to obtaining accurate, timely tax collection data.

Weaknesses in financial management systems - Several of the Department's bureaus have financial systems that do not comply with federal systems standards and are reported as material nonconformances under the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA). These systems do not produce timely, accurate financial data, which hampers the timely preparation and auditability of financial statements. As the systems problems are corrected, timeliness, accuracy, and auditability should all be improved. However, many of these problems are long-standing and will require extensive corrective actions to remedy.

Statement of Financing & Statement of Budgetary Resources - The Statement of Financing and the Statement of Budgetary Resources were new requirements for FY 1998. The Statement of Budgetary Resources and related disclosures provide information about the availability of budgetary resources as well as their status at the end of the period. The Statement of Financing is intended to facilitate a reconciliation between financial (proprietary) information displayed in the Statement of Net Cost and obligation based (budgetary) information displayed in the Statement of Budgetary Resources.

Preparation of these statements has proven to be problematic at the bureau level because of (1) the lack of past experience in preparing the statements, (2) the inability of accounting systems to provide all of the required information, and (3) a caveat on the Financial Management Service (FMS) Standard General Ledger (SGL) crosswalk that in testing many instances were identified where the Statement of Financing could not be completed directly from current SGL account balances without analysis of individual transactions. While the Department was able to overcome these problems for its FY 1998 statements, the problems still exist for FY 1999 and subsequent years. In addition, the Department will continue to present these statements on a combined rather than consolidated basis for FY 1999. At the Departmental reporting level, never before performed budgetary elimination entries will be needed to produce the required consolidated statements for FY 2000, and the Department is working towards developing the capability to perform these budgetary eliminations.

Year end closing/audit schedules - Historically, government agencies have not been required to close their books and finalize their financial statement numbers on an accelerated basis. And, of course, their financial statements were not required to be audited. With the passage of the CFO Act and then the Government Management Reform Act (GMRA) of 1994, the timing of the financial statement preparation and audit processes has become more critical. The Department has been working to accelerate the completion of year-end closing and financial statement preparation through the development of ever more stringent time frames. Our FY 1997 statements were completed earlier than our FY 1996 statements; our FY 1998 statements were completed earlier than our FY 1997 statements; and, we anticipate continued improvement for FY 1999.

We have also continued to work with our OIG to have as much of the required audit work as possible performed prior to year-end. However, in many respects the OIG is limited by the lack of reliable financial management systems, as described above. Correcting our underlying financial systems problems is crucial to continued improvement in the timeliness and auditability of the Department's annual financial statements.

Lack of automated data collection capabilities - Each of the Department's bureaus operates its own independent financial management system. For the past few years, each bureau has transmitted its year end financial data to the Department via pre-formatted disks. The preparation of the Department's financial statements can be accelerated by having bureau data transmitted electronically to the Department. The Department has made considerable progress in developing the Treasury Information Executive Repository (TIER) central data warehouse to capture bureau data as a basic element of the Department's Financial Analysis and Reporting System (FARS). During 1999, the Department has taken major steps to enhance FARS through the implementation of a front-end analytical tool, SAS CFO Vision™. SAS CFO Vision™ is a software package which is flexible and is user friendly. It will enable the Department to put TIER data to practical use, for both financial statement preparation and decision making purposes. The Department is utilizing FARS for the preparation of its FY 1999 financial statements in parallel mode with the pre-formatted disk process, with the goal of having FARS serve as the sole reporting medium for FY 2000 and beyond.

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SIGNIFICANT ACCOMPLISHMENTS

Several accomplishments took place in fiscal year (FY) 1999. Some of the more significant ones include:

- ▶ Implemented the CFO Vision™ software application of the Financial Analysis and Reporting System (FARS). Using the data submitted by the Treasury bureaus, FARS will run in parallel to produce the Department's FY 1999 consolidated financial statements.
- ▶ Worked with Treasury bureaus to expand the data elements collected in the Treasury Information Executive Repository (TIER) and improve the quality of that data. TIER data is used to analyze Treasury financial information and produce financial statements and reports.
- ▶ Completed the second phase of the core data standards project. This included development of a database of each bureau's Standard General Ledger and Budget Object Class structure. These structures are compared to the Government requirements and exceptions are submitted to bureaus for resolution. A pilot data stewardship program was started in the Bureau of Alcohol, Tobacco and Firearms. The lessons learned during this pilot will serve as the basis for developing a plan to implement a data stewardship program throughout the Department.
- ▶ Completed a study of the bureaus' implementation of cost accounting requirements. This study will form the basis for developing a plan to implement cost accounting standards throughout the Department.
- ▶ The DCFO staff has completed extensive testing and analysis of the Budget Model in SAS/CFO Vision™. Tests consisted of reviewing the budget reports as well as the underlying structures, crosswalks, the consistency in using various dimensions, and timeliness of the CFO Vision™ outputs. CFO Vision™ is used to prepare SF-133s, object class reports and SF-2108. In addition, we are able to electronically provide our external customers i.e., Office of Management and Budget (OMB), Treasury bureaus, and other interested parties with financial information.
- ▶ The DCFO staff developed a data validation table in Treasury Information Executive Repository. It is used to ensure that budgetary data is accurate before it gets into the TIER repository. The bureaus can use the data validation report to verify the accuracy of their budgetary data before transmitting it to the TIER database. This report offers an immediate feedback on the quality of data reported.

An independent audit firm performed a FY 1997 financial audit of the Treasury Franchise Fund. The Fund has received an unqualified "Clean" opinion on all financial statements (i.e., Balance sheet, Income statement, and Cash Flow). Additionally, the auditors reported that no material weaknesses exist in internal controls and/or with compliance to laws and regulations.