

MANAGEMENT INITIATIVES

One of ATF's primary goals of FY 1995 was to develop an infrastructure to successfully integrate financial management with program functions throughout the Bureau. Three major decisions made to accomplish this goal were to: establish a CFO Steering Committee; establish CFO Process Teams; and restructure the Financial Management Division.

CFO Steering Committee

The deputies of each major Bureau component comprise the CFO Steering Committee, which met regularly during FY 1995. The committee adopted a Charter to serve as a forum to help monitor progress, resolve problems, provide coordination, and develop a consensus for implementation of all financial management related activities throughout the Bureau.

CFO Process Teams

During an FY 1994 survey of ATF financial processes, the Department of the Treasury Office of Inspector General suggested several areas for process improvement. To address these recommendations, the Bureau established ten CFO Process Teams with over 100 members representing all ATF offices. The process teams developed work plans, established milestone dates, selected team leaders and were provided process "owners" assigned by the CFO Steering Committee. This team concept proved to be an effective method to address the survey recommendations for process improvement and involved all parts of the Bureau.

Some notable team accomplishments during FY 1995 were:

- developed the necessary procedures and completed required subsidiary and general ledger account reconciliations for several financial processes;
- completed conversion of all seized property records to the Department of Justice Consolidated Asset Tracking System and performed a reconciliation between all physical inventory records;
- eliminated all employee permanent travel advances;
- reconciled the Bureau's capitalized assets with the financial general ledger; and
- inventoried and recorded 100% of the aircraft and materials inventory for the Bureau's aircraft operations.

FINANCIAL MANAGEMENT VISION

To enable ATF to work better and cost less, financial and program personnel will work together in partnership, using modern management techniques and integrated financial management systems. Together, they will ensure the integrity of information, make decisions, and measure performance to achieve desirable outcomes and real cost effectiveness.

The Financial Management Division was restructured during FY 1995 to address financial management improvement initiatives, streamline organizational levels, and facilitate financial systems modernization. The restructuring reduced the number of organizational layers within the division; consolidated closely related functions; and created a new branch to specifically address the preparation and audit of an annual report and financial statements. This organization works closely with the process teams responsible for implementing improvements for each process, and serves as a liaison between the teams and the Office of Inspector General auditors.

Linkage Team

In order to meet the intent for improved management contained in recent legislative initiatives such as the CFO Act, the Government Performance and Results Act and the Government Management Reform Act, financial management activities throughout an organization must be linked and integrated. During FY 1995, the Bureau formed a linkage team with a goal to ensure that the management initiatives identified in all of these Acts are integrated and coordinated throughout all Bureau processes. This team will also provide a forum for information sharing among Bureau offices.

Cost Accounting and Performance Measurement

Currently, the Bureau does not have a cost accounting system. During FY 1995, ATF began plans for such a system and completed draft specifications for linkage of performance measurement and related costs and budgets. The Bureau plans to

implement this system in phases over the next several years. These phases will include piloting and evaluating a cost accounting methodology for a selected organization or project, developing cost algorithms that can be linked with the strategic plan's goals and objectives, and integrating operational performance measurement systems with the cost accounting system.

FINANCIAL SYSTEMS

The Bureau's systems modernization efforts are designed to improve the effectiveness and efficiency of financial data processing and reporting capabilities. Requirements contained in the CFO Act and the Government Performance and Results Act form the basis for the enhancement and redesign of both administrative and revenue financial systems.

The Five Year Financial Management Plan focuses on systems enhancements designed to provide more consistent, reliable, and meaningful information to managers throughout the Bureau. Planned improvements to the Financial Management Information System (FMIS) address integrating all financial-related systems and establishing direct links between program costs, performance measures, and financial reporting for the execution of the Bureau's mission. Additional plans include direct, on-line access to financial data for all Bureau offices.

The development of an Integrated Collection System (ICS) will provide the foundation for the Bureau's revenue management function. The ICS integrates numerous stand-alone tax and fee databases to provide comprehensive revenue management information for Bureau program managers and to automatically update the general ledger in FMIS. Completion of the ICS development will reduce the risk of revenue loss, eliminate duplicity found in multiple databases, and increase ATF's tax return and claim verification efficiency.

Financial Management Information System

FMIS is an off-the-shelf software package that provides general ledger control for administrative and revenue accounting. Core modules include budget execution and funds control, reimbursable project cost accounting, accounts payable and receivable, travel, document tracking, and purchasing and disbursements. Maintenance and development efforts focus on providing more reliable, consistent and meaningful information to management for decision making.

FMIS goals include:

- redesign the payroll processing interface to strengthen internal management controls;
- expand the use of electronic commerce for employee and vendor payments;
- acquire Procurement and Fixed Assets/Real Property system that meets Bureau business requirements, while integrating with the core FMIS to provide enhanced internal controls and reconciliation capabilities;
- implement a multi-year plan to develop a cost accounting and performance measurement system linking program, budget and performance objectives. This goal includes establishing a team of program, financial, and budget professionals to manage this development;
- enhance the program managers' funds control ability by providing direct access to FMIS for all ATF offices; and
- migrate to improved versions of system software as technology warrants.

Integrated Collection System

ICS development is a long range project to integrate Bureau revenue management, including operational and financial processes. Areas specifically targeted for improvement are ATF business processes; revenue collection, management and accounting practices; and system flexibility to respond to changing functional and information requirements.

Following is an overview of the objectives for the seven major ICS business areas scheduled for development:

- Permit Management: provide enhanced system capability to more effectively administer permit and license application processing for alcohol, tobacco, firearms, and explosives industries;

- Tax Protection: improve timeliness of tax and fee collection and claims processing, with more reliable internal controls to ensure fair and accurate tax assessments to ATF's customers;
- Program Management: provide an enhanced capability to evaluate mission program performance;
- Commodity Compliance: provide additional safeguards to the public from the threat of deception, contamination, and fraud in alcohol beverage products;
- Public Safety: provide stronger safety measures from potential hazards inherent in the firearms and explosives industries (such as storage, transfer and sale);
- Administrative Actions: provide the framework to enhance the Bureau's ability to follow up on all regulatory enforcement actions; and
- Funds Management: integrate financial information from all business areas described above with the FMIS general ledger.

As the FMIS and ICS development proceed, ATF will continue to reexamine and redesign business processes to ensure maximum return on the taxpayers' investment. The Bureau will strive to align all financial systems planning with the needs of the regulated industries and other key stakeholders.

FINANCIAL PERFORMANCE

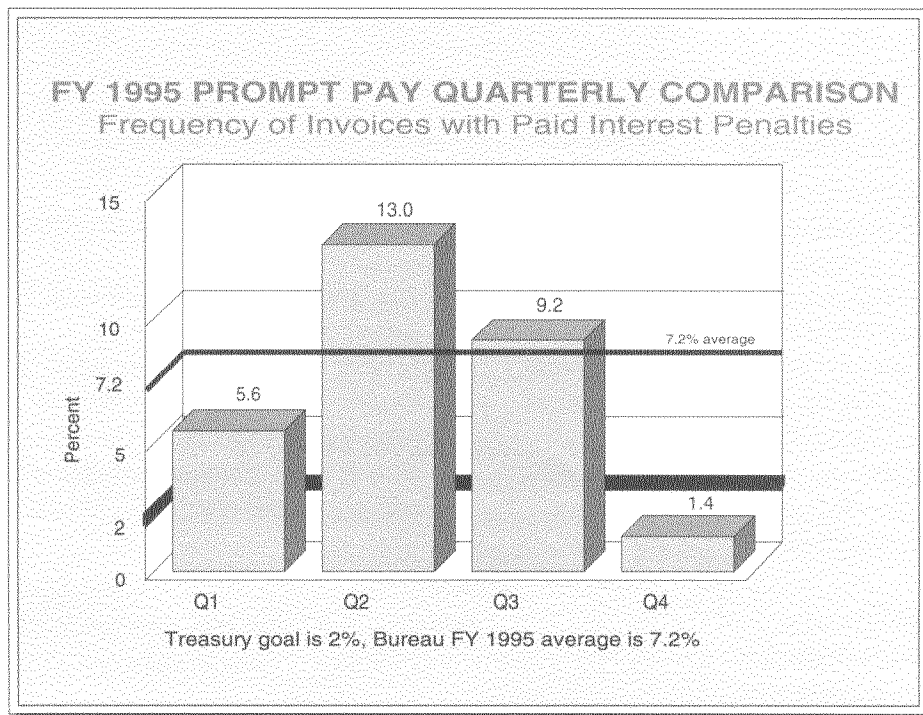
Prompt Payment

The Prompt Payment Act requires the Federal Government to make vendor payments timely, with interest penalties for late payments and discounts for meeting approved accelerated payments. The Department of Treasury's goal is to pay interest penalties on 2% or less of its payments. FY 1994 was the first year that the Bureau made payments using a new off-the-shelf accounting system. ATF deliberately chose to use baseline software and

In FY 1995, ATF began to explore software adjustments with the vendor in order to produce accurate payment statistics. Also, the Bureau reorganized its payment process and focused on cross training in payment of vendor invoices.

Cash Management

A number of initiatives are underway or planned to improve and modernize cash management business practices.



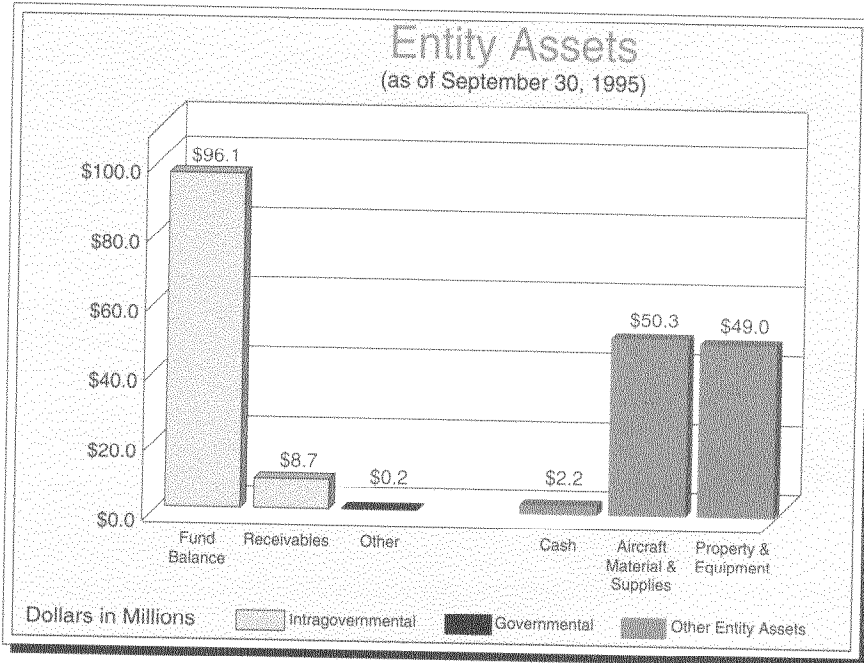
reports with little customization in order to become familiar with the programs and determine customization needs in a cost beneficial manner. During both fiscal years 1994 and 1995, ATF made vendor payments subject to the Prompt Payment Act using this baseline software. Through experience using the new system, the Bureau determined that new reports and operating procedures were necessary in order to meet the Department of Treasury's prompt payment goals.

ATF continues to maintain aggressive participation in the small purchase Bank Card Program with wide distribution of VISA cards to all Bureau special agents, inspectors and selected administrative employees. This program reduces management's administrative burden, eliminates the need for large on-hand cash balances, and enhances customer service.

In FY 1995, the Bureau recalled all employee permanent travel advances and discontinued the routine practice of issuing travel advances on a cash basis. Employees obtain travel advances from Automated Teller Machines with their Government American Express charge card, generating savings in the form of reduced interest costs on imprest fund cash used to accommodate mission travel requirements.

The Bureau continues to use the automated FEDWIRE Deposit System for semi-monthly collection of alcohol and tobacco excise tax payments by taxpayers who pay more than \$5 million per calendar year. Additionally, ATF maintains a network of commercial post office boxes, or "lockboxes," throughout the United States for collection of other excise taxes, firearms license and permit fees, and Special Occupational Taxes. The lockbox depository credits collections received by ATF directly to a clearing account for subsequent transfer to the United States Treasury, ensuring timely deposit of tax revenue to the Treasury General Fund. ATF collects over 98% of excise tax revenues through these electronic means.

The Electronic Funds Transfer program replaces checks and cash by directly transferring payments to vendor and customer accounts through an electronic network used by commercial banks. In FY 1995, the Bureau implemented this program for travel reimbursement payments to employees. Additionally, over 93% of Bureau employees participate with salary direct deposit, substantially reducing administrative responsibilities for distribution of paychecks.



Entity Assets and Liabilities

The Bureau's intragovernmental entity assets for the period ending September 30, 1995, include fund balance with Treasury and receivables due to ATF resulting from reimbursable work performed for other Federal agencies. Governmental entity assets include receivables and advances due from employees and court ordered restitutions for

