Office of Inspector General

December 7, 2001
Evaluation Report No. 01-004

The New Financial Environment Project

OFFICE OF INSPECTOR GENERAL
DELIVERING QUALITY TIMELINESS VALUE
OFFICE OF AUDITS

CONTENTS

FDIC
Federal Deposit Insurance Corporation
Washington, D.C. 20434

Office of Audits
Office of Inspector General

DATE: December 7, 2001

TO: Chris Sale
Deputy to the Chairman and Chief Financial Officer

FROM: Russell A. Rau [Electronically produced version; original signed by Russell A. Rau]
Assistant Inspector General for Audits

SUBJECT: Final Report Entitled *The New Financial Environment Project*
(Evaluation Report No. 01-004)

This report presents the results of a limited scope evaluation that you requested of the New Financial Environment (NFE) Project. The NFE Project was initiated to research and recommend an integrated solution for replacing the core and several other components of the Federal Deposit Insurance Corporation's (FDIC) financial management system.

Our objective was to assess the reasonableness of the cost/benefit analysis and the systems architecture vision prepared to plan the FDIC's future financial environment. Specifically, we reviewed two draft documents: the "New Financial Environment Project Draft Cost Benefit Analysis," dated October 25, 2001, and the draft "Financial Management Systems Architecture," dated September 17, 2001. Additionally, you requested that we evaluate whether the NFE project team was recommending the acquisition of a basic or enhanced financial management system and the adequacy of the underlying support for this recommendation.[1] Additional details on our scope and methodology are presented in Appendix I.

BACKGROUND

The NFE Project was initiated in calendar year 2000 to review FDIC business processes and recommend a financial environment that can best serve and support the FDIC in the future. An NFE project team was established that consists of representatives from the Division of Finance (DOF), Division of Information Resources Management (DIRM), and Division of Administration (DOA). The specific mission of the NFE project team was to recommend an integrated system solution that further enhances the FDIC's ability to meet current and future financial management and financial information needs. The team was tasked with the responsibility to evaluate all related

[1] We defined an enhanced financial management system as one that includes capabilities in addition to the mandatory technical requirements for a core financial system identified in the Joint Financial Management Improvement Program (JFMIP) *Core Financial System Requirements* (See Appendix II). These requirements are quite comprehensive and provide the basis for the Federal government to test compliance of commercially based, core financial software. The JFMIP document also includes value-added requirements that are defined as technical and functional system requirements needed to support mission responsibilities that are unique to an agency. Thus, some value-added requirements would be considered necessary as part of a basic system implemented at the FDIC.

industry system technologies and make cost effective recommendations to senior management.

The FDIC's current financial system, the Walker Interactive System (Walker), was implemented in 1986 and has been periodically upgraded to maintain and increase its functionality. The FDIC also has many other systems in its overall financial environment to perform activities that the Walker systems do not perform (e.g., cost management, cash management, and budgeting). This arrangement requires many interfaces and reconciliations between the systems. The manufacturer of Walker has a new product on the market and is no longer updating the version of the Walker systems used by the Corporation.

The NFE project team consulted with the U.S. General Accounting Office (GAO) to design an approach based on other successful implementations of new financial management systems. This approach included developing: (1) a Concepts of Operations (CONOPS) document;[2] (2) a Risk Management Plan (RMP);[3] and (3) a Cost Benefit Analysis (CBA).[4] The NFE project team will use these three documents to prepare a request for expenditure approval (case) to present to the FDIC Board of Directors to acquire Commercial-Off-the-Shelf (COTS) software for the FDIC's new financial environment. The CBA estimates the 8-year life cycle costs for the COTS option at $62.5 million. Of that amount, "New Development" costs are estimated at $40.7 million.

The NFE project team plans to follow the FDIC Acquisition Policy Manual, Chapter 4, Section 4.1, *Preparation of Expenditure Authority Requests for the Deputies to the Chairman, Chairman, and Board of Directors* in preparing a case requesting approval to procure the COTS software option. This policy requires that requests for expenditure approval are to be processed early in the planning stage, prior to issuance of a solicitation. This policy also requires that if the contract award amount results in a variance from the original approved amount, the Board should be advised of the variance when it exceeds certain threshold levels (e.g., exceeding 5 percent of approved expenditure authority for items over $5 million).

Independent of the NFE Project, the Financial Management Systems Architecture steering committee[5] developed a draft "Financial Management Systems Architecture" (FMSA) document.[6] This document may also be used in preparing the case for the Board.

You requested that we evaluate the CBA and the FMSA, while GAO was requested to review the CONOPS, the RMP, and the NFE functional requirements being developed by the NFE project team to support the Request-for-Proposals (RFP) process. The CBA and FMSA were in draft during our review. Thus, our observations could change if these documents are revised before

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[2] The CONOPS is a high-level requirements document that describes the proposed system characteristics from the user's point of view. It forms the basis for the development of detailed requirements and acceptance testing.
[3] The RMP identifies and prioritizes risks, identifies mitigation plans for high priority risks, and prepares a risk-monitoring plan.
[4] The CBA was prepared to support the decision-making process for determining whether to maintain the current financial system or acquire a new financial management system. A CBA is also required by FDIC Circular 4310.1, *Utilizing Cost Benefit Analysis Methodology for the Purchase or Development of Capital Assets*.
[5] The steering committee is made up of representatives from DOF, DIRM, DOA, Division of Resolutions and Receiverships (DRR), and Office of Internal Control Management (OICM).
[6] The FMSA document was prepared to provide a high-level architectural blueprint and strategy to help guide the development of an integrated financial management system environment within the Corporation.

being issued in final.

RESULTS OF REVIEW

The CBA cost estimates provide a reasonable comparison of the four options considered for implementing the NFE and a valid basis for proceeding with the project.[7] Specifically, the CBA recommended the COTS option for implementing the new financial environment because of its ability to meet the FDIC's business needs, reduced risks, and high life cycle value.
In reviewing the CBA, we determined that the cost estimates for implementing the COTS software option cannot be precisely estimated because of inherent limitations in the cost/benefit methodology and other decisions made in preparing the cost estimates. However, these limitations do not appear sufficient to delay acquisition planning. The overriding need to modernize the FDIC's current financial management system, coupled with Walker's decision to discontinue supporting the FDIC's version of the Walker Interactive System, justifies beginning the RFP process to pursue a COTS financial management system. The results of the RFP process should address our concerns regarding the cost estimates and provide more complete and accurate information for the Board's final consideration and decision to pursue the COTS option.

With respect to the systems architecture, the FMSA provides a high-level vision of where the Corporation wants its financial environment to be and lays out the basic parameters for attaining the goal of developing a fully integrated financial management system architecture, consisting of applications, data, and technology. The FMSA currently serves to identify the future financial environment for the FDIC absent the Corporation's having an overall enterprise architecture for the FDIC information technology environment at this time.[8]

We were unable to answer the question of whether the project team is recommending a basic or enhanced system because of the manner in which the CBA was designed and the draft status of the detailed NFE functional requirements. The most practical approach to addressing the question would be to compare the functional requirements and their associated costs to the mandatory and value-added requirements in the JFMIP's *Core Financial System Requirements.* As mentioned previously, the GAO is reviewing the functional requirements at the request of FDIC management and could make this assessment once the Corporation obtains the necessary cost and technical data. We did find that the NFE system requirements discussed in the Request for Information (RFI) process were consistent with the characteristics of an integrated financial management system.[9]

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[7] The CBA was prepared to compare the four different alternatives being considered by the NFE Project: (1) maintaining the status quo, (2) using COTS software, (3) using an Application Service Provider, and (4) using cross-servicing with other Federal agencies.
[8] An enterprise architecture establishes an agency's framework to achieve its mission in performing business practices within an efficient information technology environment. Enterprise architectures are "blueprints" that provide explicit descriptions and documentation of the current and desired relationships between business processes, management processes, and information technology.
[9]The JFMIP's *Core Financial System Requirements* state that integrated, financial management systems have, as a minimum, the following characteristics: (1) standard data classifications established and used for recording financial events; (2) common processes used for processing similar kinds of transactions; (3) internal controls over data entry, transaction processing, and reporting applied consistently; and (4) a design that eliminates unnecessary duplication of transaction entry.

Based on our results, we are recommending a two-case approval process for the NFE. The first case would request approval for initiating the formal solicitation process to procure the COTS software option. The second case would be presented prior to the contract award and request approval for the amount of funding needed and other aspects of implementing the NFE based on the results of the solicitation process.

COST BENEFIT ANALYSIS

The CBA was prepared to compare the four different alternatives being considered by the NFE project team: (1) maintaining the status quo, or implementing NFE using (2) COTS, (3) an Application Service Provider, or (4) cross-servicing with other federal agencies. We found that the CBA provides a reasonable comparison of the four options considered and it supports the FDIC's business decision to implement the NFE using the COTS software option. The Status Quo option will not provide any of the benefits desired in the NFE and may inhibit the FDIC's ability to update its technical architecture. The Application Service Provider (ASP) was a less attractive alternative because of the costs/benefits and risks associated with implementing the ASP option (i.e., the highly sensitive financial data that would be stored on the FDIC's system and the instability of the current ASP market). Finally, a review of federal agencies currently providing financial cross-servicing support revealed that no single organization could provide 100 percent of the FDIC's desired technology and functionality.

However, we determined that the cost estimates for implementing the COTS software option cannot be precisely estimated because of inherent limitations in the cost/benefit methodology and other decisions made in preparing the cost estimates.[10] The results of the RFP process should provide a more accurate estimate of the projected 8-year life cycle costs than what currently exists in the CBA. Additionally, we have uncertainties about the reasonableness of the proposed timeline for implementing the COTS option and the impact on systems re-engineering based on the COTS software option selected.

Our review of the CBA identified the following specific concerns that we identified with the cost estimates.

- The NFE project team estimates "New Development" costs at $40.7 million. This amount represents a generalized estimate for integrating core financial system components, interfacing additional systems, and re-engineering business processes. This estimate was not developed based on a specific number of core financial components to be integrated or additional systems to be interfaced because the number is dependent upon the unique features of each vendor's software. As a result, "New Development" costs cannot be precisely estimated.

[10] CBA cost and offsetting benefit estimates were based on the judgments and experiences of the NFE project team members, input from other FDIC users, the experiences of other federal agencies, and other research conducted by the NFE project team. These methods are generally consistent with FDIC Circular 4310.1, *Utilizing Cost Benefit Analysis Methodology for the Purchase or Development of Capital Assets*.

- The cost of re-engineering the various historical financial data repositories does not appear to be included in the CBA. Historical financial data and reports reside in the Data Warehouse and the Report Delivery System (RDS) that is used by various divisions, as well as the GAO and OIG to provide multi-year comparative information. NFE project team members stated that it is possible that the new software system may be in the same format as the Data Warehouse and therefore, require only minimal conversion. Regarding RDS, the team had considered the need for the information and decided that RDS reports would not be converted into the new system. If detailed information is needed for multi-year comparisons, anticipated operating efficiencies of the new system may not be fully realized because of the need to create cross-walks between the current software packages and the new chart of accounts to be developed to support the new accounting system.

The CBA used an 8-year life cycle to estimate costs and benefits, with a 2-year plus implementation period. The NFE project team estimates that only the cost management component's implementation will extend into a third year. Based upon our review, the 2-year plus implementation period appears extremely ambitious with minimal contingencies built in for delays. It would appear that the core financial management activities and related financial systems will have to be re-engineered to streamline processing to gain the operating efficiencies envisioned in the CBA.

The core financial management components include such things as the general ledger, funds management, receipt management, payment management, and cost management, and some may have to be integrated into the new software. Related business systems include approximately 20 additional FDIC systems (e.g., budget; revenues; treasury management, which includes the management of cash and investments; asset management; travel; insurance claims; compensation; and procurement) that will need to be interfaced with the new software. Included within the initial timeline estimates are plans to also revise the accounting system's chart of accounts and establish new accounting codes. An event driven methodology for estimating the elapsed time to implement the new system would provide a better estimating tool because it is based on the time necessary to complete each task (event) versus an overall time goal.

The best estimate of the true costs of the COTS option will be available following the formal RFP process. In responding to the RFP, vendors will be able to specifically provide cost estimates for integrating key financial systems and interfacing the related FDIC systems based on the design of their specific software. The vendors will also be able to provide a more accurate estimate of the timeframes necessary to complete such activities.

FINANCIAL MANAGEMENT SYSTEMS ARCHITECTURE

The FMSA was developed to provide an architectural blueprint to guide the development of the new integrated financial environment, because the Corporation does not have an enterprise architecture framework. If management accepts the FMSA recommendations, additional steps will need to be taken over the next 3 years to develop a more detailed FMSA.

The FMSA addresses many aspects of an enterprise architecture called for in OMB Circular No. A-130, Revised, (Transmittal Memorandum No.4), *Management of Federal Information Resources.* The FMSA discusses that the financial management framework should be part of an overall corporate architecture. It also states that business processes, data, applications, and technology should be complementary (i.e., interface with and be compatible with other component architectures).[11]

The FMSA specifies that security requirements be addressed during the investment decision-making process. The FMSA also requires new application systems to use DIRM's software product suite, which includes security software. The security requirements and software have been documented in the "FDIC Technical Architecture" and in FDIC's circulars. COTS applications must use these requirements or obtain a waiver from DIRM. Our review found that the security requirements for the NFE were specified in the RFI process and the draft NFE functional requirements. The NFE functional requirements are to be included in the RFP process, which should ensure that contractors adequately address security in their proposed implementation plans.

BASIC OR ENHANCED FINANCIAL MANAGEMENT SYSTEM

We reviewed the CBA to address the question of whether the NFE project team was recommending acquiring a basic or an enhanced financial management system. As discussed previously, we defined an enhanced financial management system as one that includes capabilities in addition to the mandatory technical requirements for a core financial system identified in the JFMIP *Core Financial System Requirements* and needed, value-added requirements to fulfill unique FDIC requirements. However, the CBA was prepared to compare the four different alternatives being considered by the NFE project team and was not designed to evaluate the functional requirements and related costs of a basic versus an enhanced financial management system. In fact, the JFMIP mandatory and value-added requirements are so comprehensive that it would be difficult to conclude a particular capability does not contribute to fulfilling these requirements. As a result, we could not address this question based on analyzing the CBA.

For the purpose of answering the question, we also considered evaluating the NFE functional requirements being developed for inclusion in the RFP process. However, we did not do so because these requirements were only in draft form during our review, and the number of functional requirements is extensive (i.e., 784 draft requirements are currently identified). In addition, GAO is reviewing the functional requirements. It does appear that the most practical approach to addressing the question would be to compare the functional requirements and their associated costs to the mandatory and value-added requirements in JFMIP's *Core Financial System Requirements*. Thus, GAO is likely in the best position to make this assessment once the Corporation obtains the cost and technical data associated with the requirements as a result of the RFP process.

We did find that the NFE system requirements identified during the RFI process are consistent with the characteristics of an integrated financial management system as described by the JFMIP's *Core*

[11] We did not evaluate the FMSA for compatibility with any other existing blueprints being used by the Corporation to support other information systems acquisitions (e.g., the Corporate Human Resources Information System) because of time constraints.

Financial System Requirements. In that regard, key features of the NFE requirements include common data elements (the FDIC has its own general ledger instead of the government's Standard General Ledger); common transaction processing with a single point of entry for entering accounting transactions; use of Generally Accepted Accounting Principles with regulatory accounting and reporting requirements; internal controls; and information security requirements.

CONCLUSION AND RECOMMENDATION

Although we identified limitations in the CBA estimates, the need to modernize the FDIC's financial management system suggests that the Corporation should proceed with acquisition planning for a COTS financial management system. However, we have concerns regarding the cost/benefit analysis estimates, ambitious timeframes, and uncertainties with what financial system components will be integrated or interfaced. The Board of Directors should have more complete and accurate information before approving such a large investment in technology. Accordingly, we recommend that the Chief Financial Officer use an incremental two-case approval process to obtain the Board of Directors' approval to proceed with the NFE project by:

- Presenting the Board of Directors with a case requesting approval of the NFE's blueprint of the FDIC's future financial environment and authorize the NFE Project team to initiate the RFP process to procure a COTS financial management system as the means for implementing a new financial environment.

- Requiring the NFE Project team to ensure that the RFP requires the vendors to provide detailed cost estimates for integrating and/or interfacing all defined systems, including the re-engineering of business processes; provide a timeline for implementing the COTS software; and detail their acceptance testing strategies.

- Presenting, upon full evaluation of the bids received, a follow-up case to the Board of Directors for approval of the amount of funding needed to fulfill the NFE requirements and the milestones for implementing all phases of the software implementation process, to include integrating and interfacing systems, re-engineering business processes, and acceptance testing.

CORPORATION COMMENTS AND OIG EVALUATION

On November 21, 2001, the Chief Financial Officer provided a written response to a draft of this report. The CFO concurred with the spirit of our recommendation to proceed cautiously toward full approval of the NFE project but explained that an incremental two-case approval process was not feasible within the existing budget and procurement plan cycle.[12]

In approving the case for the NFE, the Board will establish parameters on funding and periodic reporting which will impose external discipline on the process. Periodic reports will address updated funding requirements, integrating and interfacing systems issues, re-engineering

[12] The Corporation is requesting contract expenditure authority from the Board for the NFE project as part of a consolidated request for all contracts planned for award in 2002 that exceed the delegated authority of the Division Directors and Deputies to the Chairman.

business processes, and acceptance testing, and funding issues. Additional funding requirements that will be better informed by procurement and detailed project plans will require Board approval. Appendix III to this report presents the CFO's response.

Although the CFO did not agree to an incremental two-case approval process, management's actions are responsive to the recommendation. We consider the recommendation to be resolved but it will remain undispositioned and open until agreed-to corrective actions are completed during the life of the NFE project.

SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Interviewed key NFE project team members and reviewed NFE project status reports and other pertinent documents.

- Analyzed the working draft CBA dated October 25, 2001 and reviewed the supporting documentation relating to the estimated cost and savings amounts for selected costs and benefit estimates.

- Reviewed the draft FMSA dated September 17, 2001.

- Reviewed the working draft Risk Management Plan dated April 25, 2001, the working draft Concepts of Operations document dated September 6, 2001, and the working draft NFE requirements document dated May 14, 2001 to obtain an understanding of the NFE process and the approach taken by the team.

- Obtained and reviewed relevant criteria such as JFMIP guidelines; the GAO Framework for Federal Financial Management System Checklist, the FDIC Circular 4310.1, *Utilizing CBA Methodology for the Purchase or Development of Capital Assets;* OMB Circular No. A-127, *Financial Management Systems*; and OMB Circular No. A-130, *Management of Federal Information Resources*.

- Reviewed a list of NFE system requirements as they appeared in the Commerce Business Daily for the RFI process.

Our evaluation and observations on the adequacy of the “NFE Cost Benefit Analysis” and the “Financial Management Systems Architecture” were limited by the fact that we reviewed draft versions of these documents, and both documents are subject to change prior to being finalized. We did not review revisions to the benefits of implementing any of the options contained in the October 17, 2001 version of the CBA. Our scope was also limited because we were only requested to review two of the four documents prepared in planning the NFE, and we did not review the case being prepared for the Board of Directors to approve the acquisition of the COTS software option.

We conducted our evaluation from August 28, 2001 through November 1, 2001, in accordance with the President’s Council on Integrity and Efficiency’s *Quality Standards for Inspections.*

MAJOR FUNCTIONS OF A CORE FINANCIAL SYSTEM

The following is a brief description of the major functions of a core financial system, as described in the JPMIP's *Core Financial System Requirements* document. The JFMIP document provides a detailed description of each of these functions and specifies the technical mandatory and value-added requirements that must be addressed by vendors to design a compliant financial management system.

Core Financial System Management

This function consists of the processes necessary to maintain system processing rules consistent with established financial management policy. It sets the framework in which all other core financial system functions operate. The Core Financial Management function consists of the following processes:

- Accounting Classification Structure Management
- Transaction Control
- Archiving and Purging

General Ledger Management

The general ledger is the highest level of summarization and must maintain account balances by the fund structure and the individual general ledger accounts established in the Core Financial System Management function. All transactions to record financial events must post, either individually or in summary, to the general ledger, regardless of the origin of the transaction. The General Ledger Management function consists of the following processes:

- General Ledger Account Definition
- Accruals, Closing, and Consolidation
- General Ledger Analysis and Reconciliation

Funds Management

The Funds Management function is an agency's primary tool for ensuring that it does not obligate or disburse funds in excess of those appropriated and/or authorized. The function must also support agency policies on internal funds allocation methods and controls. It consists of the following processes:

- Budget Preparation
- Budget Formulation
- Funds Allocation
- Budget Execution
- Funds Control

Payment Management

The Payment Management function should provide appropriate control over all payments made by or on behalf of an agency. The function consists of the following processes:

- Payee Information Maintenance
- Payment Warehousing
- Payment Execution
- Payment Confirmation and Follow-up

Receipt Management

The Receipt Management function supports activities associated with recording agency cash receipts, including servicing and collecting receivables. The Receipt Management function includes recording, billing, monitoring, and collecting amounts due the government whether previously established as a receivable or not. The function consists of the following processes:

- Receivable Establishment
- Receivable Management
- Collections
- Offset Process

Cost Management

The Cost Management function of the Core financial system attempts to measure the total cost of Federal programs, and their various elements, activities, and outputs. The level of sophistication of the function needed by an agency depends on the requirements of the agency and the operational nature of the programs involved. The function consists of the following processes:

- Cost Setup and Accumulation
- Cost Recognition
- Cost Distribution
- Working Capital and Revolving Fund

Reporting

The Core financial system must be able to provide timely and useful financial information to support (1) management's fiduciary role; (2) budget formulation and execution functions; (3) fiscal management of program delivery and program decision making; and (4) internal and external reporting requirements, including, as necessary, the requirements for financial statements prepared in accordance with form and content prescribed by OMB, reporting requirements prescribed by Treasury, and legal, regulatory, and other special management requirements of the agency.

FDIC
Federal Deposit Insurance Corporation
Deputy to the Chairman and Chief Operating Officer
550 17th Street NW, Washington, DC 20429

DATE: November 21, 2001

MEMORANDUM TO: Stephen M. Beard
Deputy Assistant Inspector General for Audits

FROM: Chris Sale [Electronically produced version; original signed by Chris Sale]
Deputy to the Chairman and Chief Financial Officer

SUBJECT: Draft Report Entitled *New Financial Environment Project*

I appreciate your input and support for the Federal Deposit Insurance Corporation's (FDIC) efforts to enhance our financial systems environment. I concur with the spirit of your recommendation to proceed cautiously toward full approval of the NFE project. Below is my response to your Draft Report of the New Financial Environment (NFE) Project. I am especially pleased to note that your review confirmed:

- that the Financial Management Systems Architecture (FMSA) provides a high-level vision of where the Corporation wants its financial environment to be and lays out the basic parameters for attaining the goal of developing a fully integrated financial management systems architecture,
- the overriding need to modernize the FDIC's current financial management system and beginning the RFP process to pursue a COTS financial management system,
- that the NFE systems requirements in the Request for Information process were consistent with the characteristics of an integrated financial management system,
- that the cost estimates provide a reasonable comparison of the four options considered and a valid basis for proceeding with the project, and
- adherence to the FDIC Acquisition Policy Manual for preparation of the case requesting approval to procure the COTS software option.

I understand that a meeting was held with Bill Richardson and other members of your staff and the Director of the Division of Finance and some of his key NFE staff members. I understand that this meeting discussed:

- your recommendation for a two-case approval process for NFE being inconsistent with presenting the FDIC Board of Directors a strategic approach to major investment cases and streamlining the expenditure authority cases we present to the Board,

- the agreed upon level of uncertainty regarding the timeline for implementing the COTS option as opposed to any specific concern or appearance of an overly ambitious implementation period that might exist at this point in the process,

- that the FDIC's functional requirements are necessarily broader in scope than JFMIP's Core Financial systems Requirements and in developing our functional requirements, we considered JFMIP baselines as well as other valuable sources of input,

- all functional requirements that do not come in the basic package selected by the FDIC will be scrutinized to determine whether it is necessary and cost effective to continue to pursue the requested functionality through enhancements to the basic product,

- the possible crosswalk that might be necessary in the financial data warehouse for comparative financial data versus converting the report images in the Report Delivery System, and

- that the FMSA had been accepted by management in concept and no decision has been made at this time not to develop a more detailed FMSA.

You recommend an incremental two-case approval process for FMS. I don't believe that is feasible within our existing budget and procurement plan cycle. It would be bad precedent for DOF to ask the Board to approve a project budget outside the corporate budget cycle. In approving the case, the Board will establish parameters on funding and periodic reporting which will impose external discipline on the process. Periodic reports will address updated funding requirements, integrating and interfacing systems issues, re-engineering business processes, and acceptance testing, and funding issues. We have provided a conservative estimate of first year funding for the NFE in the `02 budget. Additional funding requirements that will be better informed by procurement and detailed project plans, will require Board approval.

cc: Fred Selby
Karen Hughes
Steve Anderson
Betty Rudolph
Gail Verley