

Annual Financial Management
Performance Plan

FINANCIAL MANAGEMENT PERFORMANCE PLAN FISCAL YEAR 2002

OVERVIEW

The Chief Financial Officers (CFO) Act was passed ten years ago. Since 1990, The Department of the Treasury has made significant progress in improving financial management. An original requirement of the CFO Act was to document 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 now assimilates 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 FY 2000 - 2005 Treasurywide Strategic Plan and the related performance results for FY 2000 will be reported in both the Department's comprehensive FY 2000 Performance Report and the audited Treasurywide Accountability Report. The ensuing discussion constitutes the OMB Circular No.A-11, Section 52 requirement for Information on Financial Management. 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 **Financial Management Performance Plan** is directly linked to the Treasurywide Strategic Plan goal "**Continue to Build a Strong Institution**" and grounded in the specific related management objective to "**Ensure Strong Financial Management of Treasury Accounts.**" The Plan was thoughtfully developed with full bureau representation on the Treasury CFO Council, using three implementation strategies. Under each strategy are the performance targets and criteria for measuring financial management progress at the Agency level. Individual related progress and contributions to achieving these Agency targets would also be measured at the bureau level.

The financial management vision statement and the 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 for FY 2000.

VISION STATEMENT

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

GOALS AND STRATEGIES

Improve Financial Accountability -- 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 material weaknesses, and enhance external financial statement reporting.

- 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.
- Deliver the Accountability Report, which continues to integrate financial and aggregate level performance information, to the Congress and OMB by the March 1 statutory due date and maintain a qualified audit opinion.
- Reduce the number of open material weaknesses and minimize new challenges by performing various internal control activities. Plans are being developed to replace the Department's audit tracking system (ITCS).

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

Improve Financial Performance -- Achieve FFMIA compliant financial management systems with standardized core data elements and develop uniform financial management systems policies to enable all key Bureau financial data to be aggregated for improved analysis, reporting, and decision making.

- Complete the implementation of Treasury's Financial Analysis and Reporting System (FARS) which will provide bureau and Department managers with the information necessary to better manage the Department's resources. FARS maintains key financial data from the bureaus core financial systems to produce financial statements and manage financial resources. In addition, we are working to add performance data to FARS in future years. Full implementation of FARS will include web-enabling the system for access by Treasury bureaus and Departmental Offices.
- 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. These systems should be part of the bureaus' overall systems integration strategy. DCFO will provide support during the project as requested by the bureaus.
- Work with Treasury bureaus to ensure that their financial management systems are compliant with all Department and government-wide requirements including system security requirements. For FY 2001, develop viable remediation plans for all affected bureaus, establish a quarterly departmental monitoring process, and increase the percentage of bureaus in compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996.
- Improve the timeliness and quality of financial data submissions.

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.

Invest in Human Capital -- Continue to utilize the Treasury CFO Council's Human Resources Strategy/Career Development Plan as a guideline for recruiting, retaining, and training qualified financial personnel and actively participate in Governmentwide rotational and/or internship programs.

- Continue to utilize the Career Development Plan for recruiting, retaining, and training financial management, budget, and accounting personnel. The Plan defines and establishes, by grade level, training and education core competencies, certifications, and on-the-job experiences and promotes rotational assignments across the entire Treasury financial community.
- Participate in the Governmentwide CFO Council Fellows Program by supporting/sponsoring Treasury employees who decide to submit applications and applicants from other Government agencies to gain knowledge of Treasury programs.
- Provide on-the-job training for candidates participating in the Presidential Management Intern Program and/or other internship opportunities.

Completion of these performance targets will, over time, increase the competence levels of all Treasury financial staff and position the Department to become a more 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.

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

- Finalize and implement the Treasurywide management control framework for all electronic financial processes.
- 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 four aforementioned strategies will be measured quarterly throughout FY 2002, 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.

SIGNIFICANT ACCOMPLISHMENTS

Several accomplishments took place in fiscal year 2000. Some of the more significant ones include:

- ▶ For the first time, since passage of the Government Management Reform Act of 1994, the Department of the Treasury was successful in issuing an Accountability Report by the statutory due date. Treasury's Accountability Report was issued on March 1, 2000.
- ▶ The Department also achieved improved audit results on the FY 1999 Accountability Report. Not only did the Department maintain a qualified opinion; it reduced the number of audit qualifications from two to one. We removed a FY 1998 qualification by eliminating Intra-Treasury entity/nonentity transactions and account balances. Accordingly, the sole impediment to an unqualified opinion resides with the inability of the IRS' administrative systems to produce timely, auditable data to support the information reported in the financial statements.
- ▶ The Department significantly improved its ability to electronically exchange financial information and data for inclusion into the FY 1999 Accountability Report. A DCFO Web based data repository was created for all Treasury reporting entities to download instructions and data formats for sending necessary information back to the Department. This process improved significantly the data quality and timeliness, as well as improved our ability to communicate with all Treasury reporting entities.
- ▶ Implemented the CFO Vision application as part of the FARS system. FARS will produce the Department's FY2000 consolidated financial statements. Continued improvement of the financial data submitted to the Treasury Information Executive Repository.
- ▶ Implemented financial data stewardship program throughout the Treasury Department, standardizing SGL's and Budget Object Class codes. Implemented the financial data standards database to serve as the Department's repository of financial data elements.
- ▶ Updated Treasury Directive 32-02, which requires bureaus to obtain, ASM/CFO approval of significant modifications to, or replacement of, existing financial management systems.
- ▶ Provided staff support to Treasury bureaus with their financial systems projects. Staff worked with Customs, OCC, FMD, and IRS.
- ▶ Successfully implemented DCFO's Y2K project, without any interruption of service. Developed Business Continuity Plan in the event of any disruptions and conducted training session for DCFO staff.
- ▶ Maintained and updated DCFO Website, adding new functionality and links, and revised the WebPage design.
- ▶ Produced Treasury's Financial Systems Plan for submission to OMB as part of the Department's FY2001 budget submission. Worked with Treasury bureaus to obtain contents of the plan.

- ▶ The Office of Financial and Budget Execution (OFBE) continued to provide assistance to the Department, OMB, and the Treasury Bureaus on budget execution matters. The following are examples of this support: Prepared a successful reprogramming request for the USSS, USCS, FMS and DO; submitted the initial FY 2001 apportionments to OMB on time; coordinated the transfer of \$70 million from the State Department in "Plan Columbia" funding to the Department for OFAC sanction support and Customs P-3 radar system upgrades; and disseminated information on new apportionment procedures.
- ▶ OFBE continues to use CFO Vision as a tool to prepare the SF-133 Report on Budget Execution, object class reports and the FMS-2108 Year-End Closing Statement. External customers are provided with financial information generated through CFO Vision electronically.
- ▶ Progress was made in the assimilation of FMD into the DCFO organization. Functions were realigned within the Budget Office. The Formulation Branch was abolished and the functions were integrated into the Execution Branch. The Execution Branch was organized into two service areas. One section will provide service to the Policy Offices and the other section will provide service to the Management offices. This centralization of service areas will provide more standardized support and specialization of service.
- ▶ During this period, continued to provide leadership by encouraging the expansion of the Treasury Franchise Fund at a manageable pace. Preliminary end-of-year results indicate that revenue earned in FY 2000 will total \$144 million as compared to the FY 1999 revenue of \$137 million.
- ▶ OFBE coordinated the upload of TIER budgetary accounting data into FACTS. Working with the bureaus, FMS, and contractors, OFBE developed and tested new TIER data validation checks that mirror FACTS II edit checks and helped to eliminate some data transmission problems.
- ▶ Developed a Treasurywide Career Development Plan for Accountants, Budget Analysts, and Financial Managers. The Plans focus on training, education, certifications, on-the-job experiences, and rotational assignments. The Treasury CFO Council approved the Plan. The bureaus continue to utilize the plan as guidance and participated in rotational assignments, the CFO Fellows Program, and intern programs throughout the year.
- ▶ Using data from the Government-wide Financial Benchmarking Study, a bureau comparison report was produced which assisted in sharing best practices and lessons learned. A "quick-wins" report that focused on the accounting and travel processes was also produced.

IMPEDIMENTS TO THE SUBMISSION OF THE REQUIRED ANNUAL AUDITED FINANCIAL STATEMENTS

Maintaining an unqualified opinion on the Internal Revenue'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 1999, the IRS received a qualified opinion on its balance sheet and disclaimers of opinion on all other administrative statements. These statements report on the IRS' annual operating expenditures of about \$8.5 billion. This resulted in a qualification on the Department's FY 1999 financial statements. In issuing the audit opinion, GAO reported that IRS has made improvements in several areas. However, GAO noted the longstanding material weaknesses in IRS' systems and internal controls remain. Continued progress by IRS will require a sustained commitment of resources and continued involvement by senior management.

For FY 2000, IRS again received an overall unqualified opinion on its financial statements. 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 data and maintaining an unqualified opinion.

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. Even though the Department's FY 1999 Accountability Report met the statutory due date of March 1 for the first time, the Department will continue to be subject to the risk of not producing the Accountability Report by the statutory due date until these weaknesses are corrected. 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.

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 key financial data elements at the Departmental level, updating bureau financial management systems, and implementing a Departmentwide 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 previously 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 2001 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 2000, 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 and addresses those remaining projects required to implement the target structure.

After many months of preparation, the beginning of the new calendar year brought the Department no major Y2K related complications. The Office of the Deputy Chief Financial Officer, in addition to its efforts to upgrade its systems, prepared a comprehensive Business Continuity Plan. The Plan detailed several critical business functions, critical elements, assumptions, and possible scenarios. As a result of Y2K systems upgrades, it was not necessary to implement the corrective actions included in this plan.

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 Treasurywide 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 is used with the TIER data to perform analysis and to generate financial statements and reports on both a Departmentwide and bureau level basis.

Bureaus

The Department's Inventory of Financial Management Systems reflects Treasury's current baseline of financial management and mixed systems. As of November 2000, the Department's fiscal year 2000 Inventory of Financial Management Systems lists a total of 195 financial and mixed systems. All thirteen of the Department's bureaus currently use COTS software packages as their core financial management systems. Five bureaus use American Management Systems's (AMS) Federal Financial System (FFS) software. Two bureaus—the Bureau of Alcohol, Tobacco and Firearms (ATF) and the Federal Law Enforcement Training Center (FLETC) are now using another AMS software product, Momentum. Of the six non-AMS bureaus, two use Computer Associates accounting software, one uses Federal Success software, one bureau uses software from Computer Data Systems, Inc., and one uses the Consolidated Information System (COINS). The U.S. Customs Service (USCS) is currently implementing R/3, a product of the SAP Corporation as a replacement to their current system, FFS. 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 and reporting entities. 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 (FMS) has migrated its administrative accounting function to the Bureau of the Public Debt (BPD). Departmental Offices (DO) is in the process of establishing a similar cross-servicing agreement with BPD. In addition, both Customs and IRS cross-serve other bureaus while some reporting entities are cross serviced for other financial management services, such as electronic travel processing.

Several Treasury bureaus—including the Bureau of Engraving and Printing (BEP), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS)—have indicated their intentions to implement new core financial management systems. The Department will work with these bureaus as their plans are being developed.

Two of the Department's bureaus made significant changes to their financial management systems structures in FY 2000: the Bureau of Alcohol, Tobacco and Firearms (ATF) and the Federal Law Enforcement Training Center (FLETC). Both bureaus implemented the American Management Systems (AMS) Momentum core financial system software.

The Internal Revenue Service (IRS) continued developing its plans to implement a core financial system that will support both its administrative and revenue accounting. IRS currently maintains the administrative and revenue financial data in separate financial systems. This decision will enhance the quality and accuracy of the IRS' financial data and enable them to provide timely, accurate, and reliable financial information for reporting and analysis. The IRS has established the Internal Management Executive Steering Committee to oversee this project.

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. The DCFO's systems are TIER; CFO Vision™, and the Inventory, Tracking and Closure System (ITCS). The Department also uses the Performance Reporting System (PRS) to track and report on bureau performance measurement

indicators. These systems form the basis of FARS. FARS will enhance the Department's capability to analyze its financial data and produce its consolidated financial statements.

Below is a description of the FARS applications:

Treasury Information Executive Repository (TIER)

The Department maintains TIER to meet Departmental consolidation, analysis, and reporting needs. TIER is a Departmental data warehouse which receives summary level 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 Governmentwide data standards. Both Departmental and bureau users are able to generate financial management reports using TIER.

TIER is one of the primary elements of Treasury's Departmentwide financial systems integration and standardization strategy. TIER was developed in 1994 and consolidates summary financial 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." TIER contains 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).

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 to provide these additional data elements to TIER. Additional data validation edits were added to TIER to ensure that the data meets Departmental and governmentwide standards. In FY 2000, the Department was able to submit FACTS II data to FMS through a host to host transfer to the Financial Management Service. All available FACTS II data was successfully transferred with the exception of two bureaus that transferred their data to FMS from their own systems.

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. Based upon the improved data quality, the Department will be able to produce the fiscal year 2000 consolidated financial statements using the TIER data and CFO Vision™.

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 to TIER will be consolidated and validated through extensive TIER 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, beginning with the fiscal year 2000 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

For fiscal year 2000, the system will produce four of the six statements. CFO Vision™ will not produce the Statement of Financing and the Statement of Net Cost since it does not contain all of the data necessary to complete them. Using CFO Vision™ has proven very helpful to Departmental staff in reviewing the quality of TIER data. The Department will continue to use CFO Vision™ to analyze bureau financial data, generate the Department's financial statements, and provide Departmental and bureau management with more timely, reliable, and consistent financial information.

The Inventory, Tracking and Closure System (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 Departmentwide, interactive, real-time system which includes key information on audit reports issued by Treasury's Office of the Inspector General (OIG), the Treasury Inspector General for Tax Administration (TIGTA), and the General Accounting Office (GAO). The system contains a number of automated reports for monitoring and highlighting matters that need to be addressed by Departmental and/or bureau management. ITCS users can track information on audit reports from the date of issuance through the completion of all action items. In addition, bureaus are now entering Federal Financial Management Improvement Act (FFMIA) remediation plan remedies and interim due dates in ITCS.

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.

Cost Management

The Department conducted a survey to determine the bureaus' methodology for capturing, reporting, and managing costs. The results of the study, along with recommendations, were presented to the Treasury CFO Council (TCFOC). After a review of the options, a Department-wide committee was established to evaluate the recommendations and submit implementation recommendations to the TCFOC. The committee, has developed a draft recommendation which is being reviewed within Treasury's financial community. After thorough review, the recommendations will be submitted to the TCFOC for approval.

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 Capital Investment Review Board (CIRB) in 1997. The purpose of the CIRB is to ensure that major capital improvements, including information technology (IT) investments, are made in alignment with Departmental and bureau strategic and architectural plans. The CIRB establishes and applies criteria for identifying shared benefits and risks of IT investments, focusing on OMB's criteria for IT investments, risk management, and evaluation and prioritization of major IT projects. The CIRB 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 CIRB, 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 established a Financial Data Standards Subcommittee (FDSS) to continue this data standardization work.

The main goal of the data standardization effort is to enable the Department to consolidate consistent financial data, providing managers with the financial information they need to manage their programs. Since FY 1999, the Department has been working to implement the TCFOC's recommendations for standardizing financial data, which include (1) standardizing budget object class codes at a 3-digit level (from the 2-digit level), and (2) standardizing the Standard General Ledger (SGL) accounts throughout Treasury by using a Treasury-specific Chart of Accounts.

During FY 2000, a data stewardship program was rolled out to the Treasury bureaus. The Treasury Financial Standards database (FINSTAD), a web-based application which will eventually be accessed by Treasury bureau users through the Treasury Intranet. Implementation of the data stewardship program enables the Department to maintain standard data elements in an ongoing environment.

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. 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.

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 legacy systems which currently support personnel and payroll functions.

Two bureaus, ATF and OCC, have deployed the Departmentwide 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. Advantages of automating the processing of PAR's include reduced paperwork, improved tracking and accountability, streamlined processes, and better data for management decision making.

Federal Financial Management Improvement Act Remediation Plans

Based on the FY 2000 financial statement audits, six Treasury bureaus were found to be not in substantial compliance with the Federal Financial Management Improvement Act of 1996: the Internal Revenue Service, the US Customs Service, Financial Management Service, Departmental Offices, Office of the Comptroller of the Currency, Executive Office of Asset Forfeiture, and the U.S. Secret Service.

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. As a result of the magnitude of the remedies to correct these non-conformances, the Department is working with the Office of Management and Budget to ensure compliance with the terms of the Act.

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 2000, 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, currently the proprietary and budgetary accounting data. FARS includes the following components:

- (1) bureau core financial systems which feed summary financial data to the Department;
- (2) the Treasury Information Executive Repository (TIER), a financial data warehouse containing summarized and consolidated financial data; and
- (3) CFO Vision™, a COTS on-line analytical processing (OLAP) decision support tool, which is used for financial analysis and reporting.

In the FARS structure (see Figure 1), bureaus continue to maintain their own 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 exported to CFO Vision™ for analysis and reporting.

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 satisfy management's informational needs. 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 other management information requirements as identified. 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 the Treasurywide Intranet. FARS is 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.

The Department's target financial management systems structure does not call for a single Treasurywide 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 Treasurywide data. Although Treasury does not currently have plans to develop any Departmentwide financial management systems, (beyond the centralized HR system), 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. These systems will be implemented and maintained in accordance with all government and Department standards, including OMB Circular A-127, JFMIP system requirements, the Clinger-Cohen Act, etc. In addition, these systems 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.

FARS 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. FARS, utilizing the summary financial data submitted by the bureaus, will generate the following consolidated financial statements, in accordance with OMB Bulletin 97-01.

A schematic showing the process followed to produce these statements, along with the associated footnotes and other components of the FY 2000 Accountability Report, is found in Figure 2. In addition, to producing the financial statements, FARS 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 2000. Phase I will be completed by March 1, 2001 with the production of Treasury's fiscal year 2000 Accountability Report.

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 formed 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. Treasury completed modifications to their core financial systems to collect these additional data for submission to TIER. The Department is working, and will continue to work, with all bureaus to verify data submitted to TIER are of the high quality necessary to serve as the basis for the Department's 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 jointly agreed that Treasury's consolidated financial statements would be prepared using two methods in parallel. First, the bureaus submitted financial statement data to the Department using automated consolidation spreadsheet files, as has been done previously. The spreadsheet data was consolidated by the Department and serves as the basis for the Department's financial statements. These financial statements were audited by the Treasury OIG and were used to prepare the Department's FY 1999 Accountability Report.

In parallel with this established method of producing the financial statements, the Department also generated financial statements from FARS. The bureaus submitted their end-of-fiscal year (EOFY) 1999 financial data to TIER. After validation by TIER, the data was extracted to CFO Vision™ for further review and analysis by Departmental staff. Consolidated Departmental financial statements were then generated by CFO Vision™. The financial statements produced by FARS were reconciled with the spreadsheet-generated financial statements. Any differences between the audited spreadsheet statements and the FARS statements were reconciled by bureaus. Treasury's Office of Inspector General reviewed the two sets of statements and the reconciliation adjustments to evaluate the accuracy of the FARS data and statements. The Department worked with OIG to address any questions.

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

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. CFO Vision™ will be made available to all bureaus via the Department's Intranet website. With the full implementation of the latest vendor release, the bureaus will be able to access CFO Vision™ data and generate all reports. In addition, bureaus will be able to access CFO Vision™ directly through Microsoft Excel spreadsheets.

The progress of the Web-enabled rollout to bureaus will depend on resolving additional firewall and Internet protocol issues, and the potential requirement to immediately maintain data on two servers across Departmental Offices' firewall. With the full implementation of CFO Vision™ at Departmental Offices and the rollout of reporting and analytical capabilities to Treasury bureaus, Phase II of the project will be completed. The Department will continue to work with the vendor to enhance the software to better meet its financial management needs.

TIER

TIER plays an important role in producing the Department's consolidated financial statements by serving as a data warehouse for bureau financial data. The TIER data is extracted to CFO Vision™ for the actual production of financial statements. The Department will use the TIER data to prepare the fiscal year 2000 Treasury Accountability Report. The bureau data will be edited to ensure it meets both Departmentwide and governmentwide requirements.

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. This will include both the FACTS I and FACTS II submissions. As a result of this centralized submission, we expect the bureaus' financial data will agree with the data amounts reported in both the Department's Accountability Report and federal government's financial statement.

CFO Vision

CFO Vision™ is currently being upgraded to Version 3.0. This version will allow the contractors to perform consolidations more easily. CFO Vision™ will also become web-enabled allowing easier access for the user community.

A CFO Vision™ archiving plan is being developed. The archiving plan's primary purpose is to preserve a clear audit trail from the TIER data extract file to the CFO Vision™ data consolidations and report templates. These templates are applied to consolidations to create the various financial statements and other financial reports, notes, and tables.

Inventory, Tracking and Closure System

The Department is evaluating its options for replacing the Inventory Tracking and Closure System (ITCS). A requirements document is being developed, to include functional and technical requirements, as part of the planning phase. A replacement system will be evaluated against these requirements – and a gap analysis performed. When implemented, this system will be made available to all Treasury bureaus through the TreasNet intranet website. The bureaus will be able to utilize the replacement system to track the progress of corrective actions for audit reports, FFMIA remediation plans, GAO reports, etc.

Performance Reporting System

To date, bureaus have input to the PRS the same performance data reported in the annual budget submission, and a mid-year performance report. In the future, the Department expects to move to more frequent reporting of performance information. Current development efforts are focused on updating performance data in PRS electronically by files generated by each bureau's source systems, rather than manually via the Intranet as is now the case. (This concept was successfully proven through an IRS pilot.)

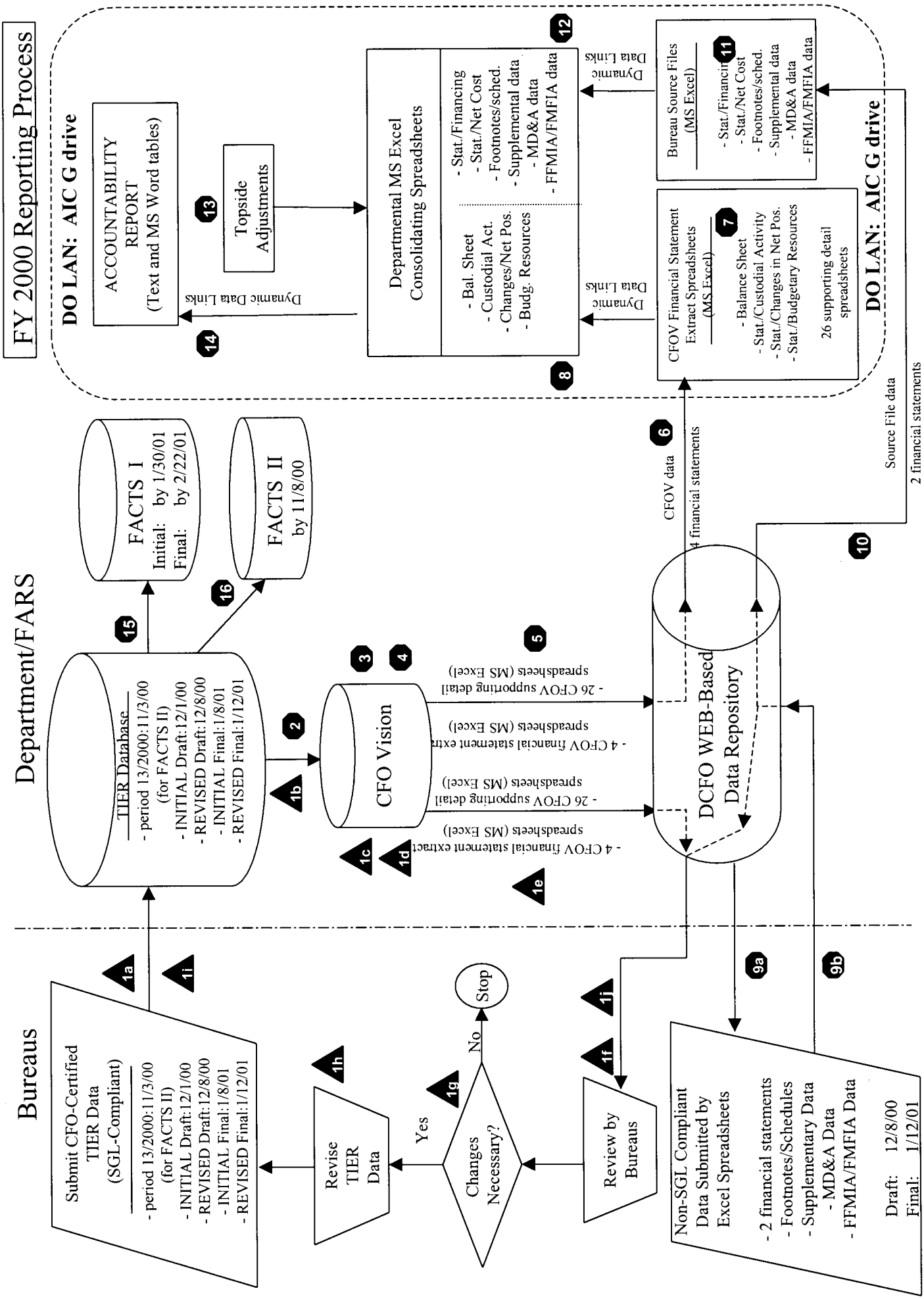
In early FY 2001, the system will offer easy-to-use ad hoc report capability based on summary graphs of projected performance as well as reports on individual measures.

Data Standardization

During FY 2000, the Treasury Financial Standards database (FINSTAD) was rolled out to the bureaus. FINSTAD contains the Treasury standards for Standard General Ledger accounts, Budget Object Codes, and Treasury Fund Symbols. The bureau data stewards were trained in the use of the database and the data stewardship process.

For FY 2001, the database will be migrated from the contractor's site to Treasury's Lotus Notes Servers. Treasury bureaus will have access to the database through TreasNet. The contractor will work with Treasury staff to develop and implement an application to interface TIER and FINSTAD. This will ensure that both systems remain synchronized and keep FINSTAD current in a dynamic environment.

FY 2000 Reporting Process



GRANTS MANAGEMENT

Tasked with responsibility for managing much of the Federal Government's finances, the Department of the Treasury administers several grant programs. These programs are managed in accordance with Government-wide requirements. The majority of the Department's grant funds are administered by the Community Development Financial Institution (CDFI) Fund. Smaller amounts are managed by the Bureau of Alcohol, Tobacco and Firearms (ATF); the United States Customs Service (USCS); and the Internal Revenue Service (IRS).

In accordance with the Government Chief Financial Officers Council's requirement that Federal agencies use one of only two Federal cash payment systems for distributing grant funds, the majority of Treasury's grant-issuing bureaus and offices are migrating toward the Department of Health and Human Services (HHS) grant Payment Management System (PMS). ATF currently uses its core financial system to track grant payments but will migrate to one of the two Government-wide standard grant payment systems for use in FY 2003.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) FUND

The mission of the CDFI Fund is to provide access to capital and financial services within America's most distressed communities. Treasury's CDFI Fund provides financial support to CDFI's throughout the nation and also supports other members of the financial services industry that engage in community development finance.

The CDFI fund manages three programs that provide funding opportunities for both non-profit and profit-making organizations. Annually, each program issues a notice of funding availability in the *Federal Register*. In addition, each of the three CDFI programs issues an annual application that provides unique program formats and required OMB certifications and representations.

All application submissions undergo an administrative review for program eligibility and completeness of information. Those applications found to be eligible and complete are moved forward to the merit/peer review phase. Those applications determined to be within the funding range receive a site visit. Upon completion of the site visit, CDFI program technical experts conduct further reviews. After this phase of review is complete, CDFI program staff prepare recommendation memos using merit/peer reviewer comments, and site visit information. This memo is presented to a panel of three program officers who make further recommendations on the application and forward all recommendation information to the CDFI selection official. After a review of the recommendation materials, the selection official makes the final determination on all applications that are to receive CDFI awards. The selection official forwards all of the applications chosen for award to CDFI's Awards Management Office.

Upon completing this review, those applicants which are determined to be compliant with CDFI and OMB requirements, and which are determined to be eligible for funding, receive an official Notice of Award. Each Notice of Award includes information on the OMB and CDFI terms and conditions pertinent to the award as well as information on how to obtain payment.

Through site visits, telephone conversations, and e-mail, program staff and Awards Management staff provide oversight on the progress of the applicant in conducting the grant award program and in complying with CDFI and OMB requirements. Where necessary, CDFI program and Awards Management staff provide technical and/or administrative assistance.

CDFI staff participate in two Government-wide groups that coordinate with OMB on streamlining and improving Federal grants management: the Government-wide Electronics Grant Management Committee and the Federal Demonstration Project, which is sponsored by the National Academy of Sciences and includes over 15 Federal agencies and 20 colleges and universities. Both of these groups work closely with OMB in determining electronic and administrative areas that need improvement.

In addition, CDFI staff have worked to comply with the Government-wide Chief Financial Officers Council's requirement to use one of only two Federal cash payment systems. Beginning in fiscal year (FY) 2001, CDFI converted its cash payment process to HHS's PMS effective for awards issued in FY 2000. CDFI will use the HHS system for new awards and will begin converting any previous award recipient organizations during the coming year.

INTERNAL REVENUE SERVICE (IRS)

The IRS Wage and Investment Operating Division administers two grant programs: the Tax Counseling for the Elderly (TCE) Program and the Low Income Taxpayer Clinic (LITC) Grant Program.

Applications for grant awards are solicited each year from qualified organizations in full compliance with OMB Circular A-21, "Principles for Determining Costs Applicable to Grants, Contracts, and other Agreements with Educational Institutions," as well as Circulars A-110, A-122, and A-133. These and other grant requirements and regulations are part of the program guidelines for each grant program and are also incorporated into each grant agreement that is signed by both parties prior to grant funds disbursement.

During the initial screening process, grant applications from each applicant are reviewed to ensure that basic eligibility requirements are met. After this process is completed, applications are then reviewed by a technical evaluation panel that assigns rating/ranking scores or makes recommendations in regards to whether or not an applicant should receive grant funding. Prior year financial reports and program reports are also reviewed from current grant recipients to ensure that they are making sufficient progress in meeting program goals and objectives and to ensure that they are in compliance with all of the grant terms and conditions. An IRS Senior Executive serves as the selecting official for all grant awards. In selected cases, a pre-selection site visit is conducted prior to the grant award to verify that the selected applicant can perform the services proposed in their grant application program plan.

Each grant recipient is required to fulfill financial and program reporting requirements as a condition of the grant in accordance with OMB Circular A-110. If a grantee is found to be in non-compliance with the grant terms and conditions, the IRS may impose sanctions in accordance with paragraph .62 of OMB Circular A-110.

Currently, the IRS uses its Automated Financial System to account for and disburse grant funds. The Accounting Payment Office (APO) is the Beckley Finance Center (BFC) which is the designated

payment office for both grant programs. The APO is charged with the responsibility for performing all of the accounting functions associated with both grant programs. Grants funds are disbursed by BFC in accordance with the standard operating procedures promulgated by the Office of the Chief Financial Officer and as requested in writing by the IRS Grants Administration Office. Grant recipients use Standard Form 270 (Request for Advance or Reimbursement) when requesting either advances and/or reimbursement for expenses incurred.

In the future, however, the IRS will use the HHS's PMS for financial management and disbursement of funds to grantees. The IRS is in the final stages of executing an inter-agency agreement with HHS to use the PMS.

In administering its grants programs, the IRS routinely works with other federal agencies, including Treasury's CDFI Fund and HHS, on grant policy matters. The IRS also works with Treasury's Office of Equal Opportunity Programs and the Department of Justice to meet Title VI requirements. The IRS submits SF 424, "Application for Federal Assistance," forms from grant applicants to the Census Bureau for its use in developing statistical analysis. In addition, IRS grant program office staff are required to attend grants training and are encouraged to participate in various professional groups such as the National Grants Management Association (NGMA) to keep current on issues affecting federal grants management.

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS (ATF)

Currently, ATF is responsible for managing and making Federal funding available for state and local law enforcement agencies to implement the Gang Resistance, Education and Training (GREAT) program. The GREAT program is a partnership between ATF, Treasury's Federal Law Enforcement Training Center, and state and local law enforcement agencies to prevent gang violence. (Note: FLETC receives GREAT funding from ATF to provide law enforcement training.) The funding vehicle that ATF utilizes for the GREAT program is a reimbursable co-operative agreement. Congress determines the amount of funding available each fiscal year.

Law enforcement agencies that wish to take advantage of GREAT funding are required to compete annually. ATF posts an announcement in the *Federal Register* each year during June. Notices are also mailed to all applicants who applied for funding in the previous year. In addition, ATF issues a press release to all listed law enforcement agencies. Each applicant must use the Gang Resistance Education and Training Funding Application F 6410.1 (OMB No. 1512-0548) in order to apply. Applications are due in August.

Primary funding is distributed by population category. Applicants are ranked in each category, and funds are distributed until exhausted. Secondary funds are withheld and made available to all applicants that did not receive primary funding. These funds are evenly distributed among all remaining qualified applicants and can only be spent on training and teaching supplies. Applicants are notified as to their funding status in November, and co-operative funding agreements are mailed out the same month. All applicants receiving funding are required to attend training the following January regarding reporting spending and requesting reimbursement.

ATF currently uses its core financial system, the Financial REsources Desktop (FRED), to track the financial transactions associated with grant payments. ATF plans to migrate to one of the two Government-wide standard grant payment systems for use by FY 2003. ATF is currently in the process of selecting one of the two systems.

UNITED STATES CUSTOMS SERVICE (USCS)

The USCS provides grant funding to recipients but does not have authority to award grants to applicants. Unlike ATF, the CDFI Fund, and the IRS, the USCS does not review grant funding applications and then decide which applicants should receive grant funding. The USCS only provides grant funding when specifically directed to do so by the Congress.

Treasury Assets Management Goals and Strategies

Goal – To Strengthen the Management of Treasury’s Assets

Strategy – Asset Management Systems Strategy – Develop management systems that can be utilized dually for decision enhancing and information reporting

- Implement a Vehicle Management System that will improve the Department’s responsibility for oversight. The system is to contain sufficient relevant information to effectively manage the vehicles through their lifecycle; for capital planning, budgeting, acquisition, usage, maintenance and disposal. This system positions the Department to be more proactive in projecting future capital expenditures and assessing viable replacement costing strategies. The first phase of the system is to address capital planning, and acquisition.
- Implement a Treasury Incident Reporting System that will capture data on employees’ illnesses and injuries resulting from safety, health and environmental conditions. With this system the bureaus and the Department will be in possession of information to prevent incidents and reduce the significant costs associated with compensation, and property damage.

Strategy – Asset Management Practices Strategy – Assess existing practices and procedures to identify areas where more appropriate, technology advanced and lifecycle activities can be employed, and standards can be developed.

- Conduct a study to analyze asset management activities performed by the Department and the bureaus. The study is intended to produce recommendations for improved practices and principles in the management of assets, for potential realizable savings resulting from the employment of those practices, and for more effective coordination between organizations.
- Re-institute the Personal Property Assistance Visits to assess the health of the bureaus’ personal property management programs, and to coordinate and resolve any potential issues.
- Develop an informal monitor and assistance program for Real Property.

Strategy – Capital Investment Strategy - Contribute to the non-information technology functions of the Investment Review Board

- Proactively participate with the Capital Investment Review Board in its review of presentations of business cases for non-information technology assets and monitoring of those assets.