



**DEPARTMENT
of HEALTH
and HUMAN
SERVICES**
Fiscal Year
2008

Program Support Center

*Justification of
Estimates for
Appropriations Committees*



MESSAGE FROM THE DEPUTY ASSISTANT SECRETARY FOR PROGRAM SUPPORT

I am pleased to present the Program Support Center's (PSC) fiscal year (FY) 2008 Congressional Justification. This performance budget request supports the President's and Secretary's priority initiatives and reflects the goals and objectives in the Department of Health and Human Services' (HHS) FY 2004 - 2009 Strategic Plan from an administrative support perspective. As the shared services provider for the Department, PSC provides a full range of administrative support services to all components of HHS and other Federal Agencies focusing primarily on products and services in the following areas: administrative operations, financial management, health resources, human resources, and strategic acquisitions.

This justification includes the FY 2008 Annual Performance Plan and FY 2006 Annual Performance Report as required by the Government Performance and Results Act of 1993 (GPRA). This past year we continued our efforts to strengthen the links between our performance management program and budget process. Performance management provides a consistent and effective way to measure our achievements and strive for continued improvement. To evaluate our performance, we continued to focus on measuring quality delivery, customer satisfaction, and cost management.

During the last fiscal year, PSC made significant administrative contributions to support the goals of the Department. The following are highlights of PSC's accomplishments in FY 2006.

- Led the Department-wide initiative to consolidate multiple asset management systems into the Department's Property Management Information System;
- Contributed to the implementation of the Department's new consolidated financial system, the Unified Financial Management System, for PSC and its customers;
- Selected as the Department's E-Gov Travel Center of Excellence;
- Implemented OMB Circular A-123 and met all scheduled milestones;
- Provided services to support the Federal Government's response efforts for Hurricane Katrina; and
- Strengthened the Department's consolidation efforts through the Strategic Sourcing Contract Portfolio.

PSC's FY 2008 budget request reflects our successes, our vision, and our commitment to ensure that we meet the needs of our customers and support the mission of the Department. We have achieved our success to date through a relentless commitment to provide high-quality and cost effective administrative support services to our customers. As we look towards the future, we will continue to focus on this commitment as well as strive to achieve excellence in all we do.

J. P. VanLandingham
Deputy Assistant Secretary for Program Support

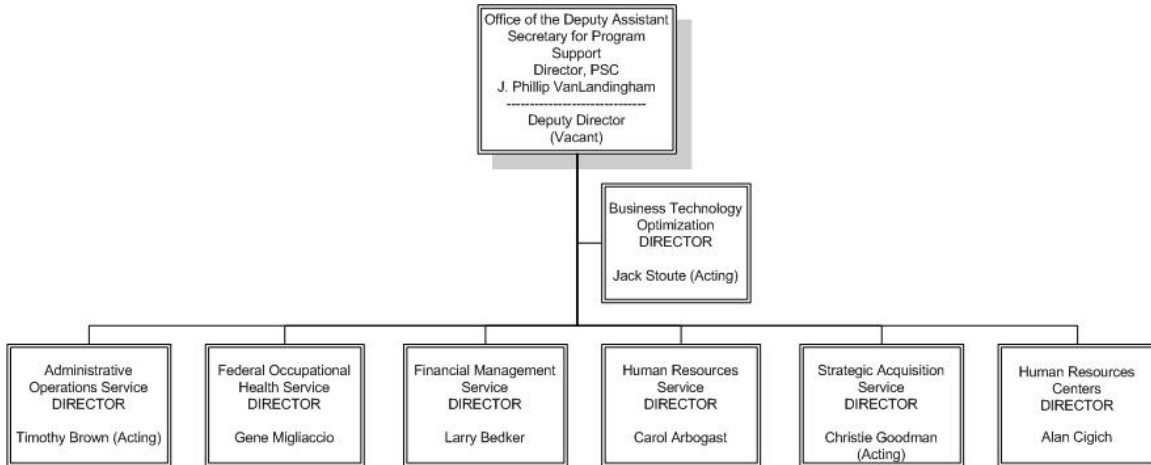
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DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM SUPPORT CENTER
FY 2008 PERFORMANCE BUDGET SUBMISSION TO CONGRESS

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT
PROGRAM SUPPORT CENTER



Performance Budget Overview

Statement of PSC Mission

The Program Support Center (PSC) is a component of the Office of the Assistant Secretary for Administration and Management (ASAM) within the Office of the Secretary, U.S. Department of Health and Human Services (HHS). PSC was established in 1995 to reduce government spending, HHS overhead, and duplication of efforts in the realm of administrative support services. PSC provides over 50 products and services on a competitive, fee-for-service basis to customers throughout HHS, as well as to approximately 14 other executive departments and 20 independent Federal Agencies. Products and services are provided in primarily five broad business areas: administrative operations, financial management, health resources, human resources, and strategic acquisitions.

As the shared services provider for HHS, PSC's mission is to assist and enable HHS to focus on its core mission of enhancing the health and well being of all Americans through the provision of centralized, qualitative administrative support goods and services. To accomplish its mission, PSC will eliminate duplication and capitalize on expertise, experience, and cost savings through cost negotiations, economies of scale, consistent quality service, and consolidated and timely service delivery. To guide PSC in fulfilling its mission, PSC will strive to uphold a core set of values that include: customer focus, workforce commitment, cost effective and high quality service delivery, communication, transparency, and technology optimization.

Discussion of PSC Strategic Plan

PSC's Strategic Plan for 2005-2009 serves as a road map to guide PSC in establishing goals for both the present and into the future. PSC's Strategic Plan is built around five goals, centered on the themes of customer service, workforce commitment, communication, resource management, and being the benchmark for the Federal shared services community. These themes reflect the PSC's mission, "to provide a full range of support services to HHS and other Federal Agencies, allowing them to focus on their core missions that serve the American public." Each goal is essential to producing high quality performance, low cost, high productivity, improved risk management, and continuous opportunities for improvement.

As the shared services provider for HHS, PSC developed strategic goals that are primarily aligned to support all objectives of HHS Strategic Goal 8 – Achieve Excellence in Management Practices. In addition, since services provided by the PSC enable the HHS' Operating Divisions (OPDIVs) and Staff Divisions (STAFFDIVs) to focus on HHS' mission to enhance the health and well being of all Americans, PSC's strategic goals support HHS' strategic goals, the Secretary's 500-Day Plan, and the "One HHS" Departmental objectives from an administrative support perspective.

The following are the PSC's five strategic goals that provide the foundation to achieve excellence in management practices.

- **Customer Service:** PSC will strive for excellence by achieving a reputation for customer service, improving customer relationships, developing a customer service oriented workforce, and achieving performance standards.
- **Workforce Commitment:** PSC will strive for excellence by developing a skilled workforce, increasing workforce satisfaction, developing innovative recruitment techniques, rewarding high-performance, and fostering an environment of innovation and entrepreneurship.
- **Communication:** PSC will strive for excellence by providing continuous and open communication with customers, communicating frequently and effectively with employees, and increasing workforce knowledge of PSC services.
- **Resource Management:** PSC will strive for excellence by ensuring customer understanding of its costs and billings, maintaining competitive rates, achieving economies of scale, improving financial management, and limiting duplication of services Department-wide.
- **Benchmark for the Federal Shared Services Community:** PSC will strive for excellence by increasing awareness of PSC as a shared services provider for the Federal Government, increasing its customer base and opportunities for partnerships, applying best-practice business and operational processes, and integrating business and technology.

PSC’s performance budget has been developed to enable PSC to achieve its strategic goals. This will result in the provision of high-quality and cost effective administrative support products and services to HHS in the areas of administrative operations, financial management, health resources, human resources, and strategic acquisitions. As a result, our customers can focus on their core business and mission efforts instead of producing the product or service on their own.

The following table illustrates the alignment of the PSC strategic goals with the overall goals of the Department:

PSC Strategic Goals Aligned to HHS Strategic Goals

	PSC Strategic Goals				
	Excellent Customer Service	Excellent Workforce	Excellent Communication	Excellent Resource Management	Benchmark for the Federal Shared Services Community
HHS Strategic Goals					
1. Reduce the major threats to the health and well-being of Americans.					
2. Enhance the ability of the Nation’s health care system to effectively respond to bioterrorism and other health challenges.					
3. Increase the percentage of the Nation’s children and adults who have access to health care services, and expand consumer choices.					
4. Enhance the capacity and productivity of the Nation’s health science research enterprise.					
5. Improve the quality of health care services.					
6. Improve the economic and social well-being of individuals, families, and communities, especially those most in need.					
7. Improve the stability and healthy development of our Nation’s children and youth.					
8. Achieve excellence in management practices.	X	X	X	X	X

Overview of PSC Performance

As PSC strives to be the provider of choice across the Federal government, it continues to be performance driven in an effort to provide high quality and competitively priced administrative support services to its customers. PSC continues to strengthen its performance management program and integrate performance information with its budget process and financial outcomes. Linking PSC's performance organizationally and measuring its progress and performance is an essential part of the strategic visioning and planning process. The PSC mission and vision are focused on delivering products and services to customers that are recognized as high value for the price paid. PSC's Strategic Plan 2005-2009 identifies goals that enable employees and leaders within the organization to remain focused on this mission and vision. In order to measure its success in a quantifiable manner, PSC tracks ten performance measures that directly and indirectly link to each of the strategic goals. To this end, the two primary outcomes that PSC strives to achieve are quality delivery and cost-effective operations.

PSC implemented two performance measures specifically targeted at addressing quality of delivery. This is important for PSC in order to achieve our strategic goals of *Excellent Customer Service, Excellent Workforce, and Excellent Communication*. By gathering data to measure timeliness of service and customer satisfaction, PSC elicits feedback from customers about services and employees, identifies process improvements, determines gaps in employee training needs, and enhances communication vehicles between employees and customers.

PSC also established a series of performance measures that focus on the total equation of cost to the customer. For example, PSC measures the factors that influence total cost of operations as well as demand for services. By tracking and analyzing this data, it is able to take a proactive approach to understanding what drives the prices customers pay for PSC services. It is essential that this be done across the organization in order for the PSC to run a fiscally sound enterprise and provide the best value to our customers. This is the cornerstone of the strategic goal of *Excellent Resource Management*.

Using these measures to identify successes and gaps, PSC is better positioned to achieve the fifth strategic goal of becoming the *Benchmark for the Federal Shared Services Community*. PSC has worked diligently for the past several years to reengineer processes, control costs, set service level expectations with customers, and develop its employees as customer service providers. The clear vision and purpose in each of these activities was to ensure that PSC improved its service delivery approach so that customers and competitors in the marketplace recognize PSC as a state of the art organization that is the provider of choice. PSC's intent is for competitors in both the public and private sectors to look to PSC as the premier provider of administrative shared services and benchmark their approach, price, and service levels against those provided by PSC. This is a long range goal that requires a strict focus on continuous improvement, understanding of customer needs, and awareness of the market. In the short term, PSC remains committed to performing its own benchmarking activities to better understand how it compares to its competitors. This comparison allows PSC leaders to make educated decisions that help

them achieve the end goal of “Becoming the Benchmark.” Having performance results and benchmarking data accessible enables PSC to adjust to the ever-changing business context in which it operates and ultimately gives it the tools necessary to reach the top of the market.

In addition, the performance measures that have been established have a direct link to PSC’s efforts in implementing strategies related to the President’s Management Agenda (PMA). For example, as a key measure related to the Strategic Management of Human Capital, PSC tracks employee satisfaction and uses this data to implement programs to improve human capital processes and capabilities. The results of the human capital surveys conducted in FY 2003 and FY 2004 demonstrated that employees wanted communications to improve as well as to have opportunities for career growth. To address communications, PSC has implemented its Communication Program that includes an employee newsletter, new hire orientation program, and an annual communications survey. To address opportunities for career growth, PSC implemented the Individual Development Planning (IDP) Program in FY 2006. The IDP Program allows employees to develop a detailed, action-based plan that targets development activities that employees plan to complete to support their professional goals. The program also fosters two-way communication between employees and supervisors to ensure that employees are receiving the necessary support and guidance from their direct supervisors. For its pilot year, PSC had 190 employees enroll in the IDP Program. PSC plans for the IDP Program to be an ongoing, annual process between employees and supervisors to foster continual learning and career growth.

PSC is committed to the PMA goal of Improving Financial Performance. To achieve this goal, PSC established a performance measure to achieve a clean audit opinion with no material weaknesses and reportable conditions. This PMA goal also sets expectations around cost management and PSC has two measures that specifically track intra-service costs and overhead costs to ensure that these costs are contained.

In an effort to expand E-Government, PSC is tracking the number of Department-wide consolidations that it participates in. Many of these initiatives are centered on implementing centralized E-Solutions that have an impact on multiple OPDIVs, which in turn is expected to reduce costs across the Department. The Strategic Sourcing Program is one example of the Department achieving cost savings. By consolidating procurement activity across HHS to leverage purchasing power and reduce purchase costs associated with certain goods and services, the Department has lowered overhead operating costs in FY 2006 by \$11.4 million based on actual usage of the consolidated contracts. By tracking PSC’s participation in Department-wide consolidations, it will demonstrate its commitment to ensuring HHS duplication of services Department-wide is limited and that cost-effective administrative support services are delivered.

For FY 2006, PSC successfully met or exceeded the targets for 5 of its 10 performance measures. In the area of improving quality, PSC exceeded its targets for timeliness of service delivery and customer satisfaction. In the area of market share expansion, PSC exceeded the target to acquire new customers and to increase customer usage of new

products and services. In the area of asset management, PSC maintained its budgeted FTE staffing levels. Of the remaining 5 performance measures, 3 targets were not met and the results for 2 performance measures are not yet available. In the area of asset management, PSC was unable to achieve the targets to maintain overhead costs, reduce intra-service costs, and achieve cost recovery.

While PSC did not achieve all of its performance goals for the past fiscal year, it made significant progress toward achieving its primary outcomes of quality delivery and cost effective operations.

Overview of PSC Budget Request

In the FY 2008 performance budget request, PSC supports the objectives of the HHS Strategic Plan and the Secretary's 500-Day Plan by submitting a budget request that is responsible, performance driven, and focuses on fulfilling the mission of PSC as the shared services provider for HHS. Through the provision of administrative support services, PSC enables the HHS program agencies to focus on enhancing the health and well being of all Americans and supports the HHS strategic goal to achieve excellence in management practices.

The activities of the PSC are supported through the HHS Service and Supply Fund (SSF), under authority that was established by 42 USC 231. SSF provides a working capital fund for financing and accounting for business-type operations involving the provision of common services and commodities. It is governed by a Board of Directors. The products and services provided by the PSC are grouped into cost centers that are fully costed and managed as self-sustaining business lines. The actual cost of service provided is billed to the customers based upon a fee-for-service rate structure that is approved by the SSF Board of Directors.

PSC's performance budget request for FY 2008 is \$647,069,000, which is an increase of \$29,964,000 above the FY 2007 budget request of \$617,105,000. This performance budget includes modest increases to allow PSC to engage in new business opportunities outside the Department thus increasing the PSC's revenue base and to support several Departmental or President's Management Agenda initiatives that PSC has been asked to perform. The increases in the FY 2008 performance budget include the following:

- \$6.474 million for the Unified Financial Management System (UFMS) Operations and Maintenance (O&M) activities. The budget request reflects the increased services that will be provided by UFMS O&M in accordance with the staged implementations, as additional agencies stabilize and begin operations using UFMS. PSC began providing UFMS O&M services in FY 2005 when the Centers for Disease Control and Prevention (CDC) and the Food and Drug Administration (FDA) implemented UFMS. PSC and its customer agencies transitioned to UFMS in October 2006. The Indian Health Service (IHS) implementation is currently underway, and IHS is scheduled to go live at the beginning of FY 2008.
- \$8.035 million for the HHS Consolidated Acquisitions System (HCAS). HCAS is an HHS initiative to implement a Department-wide contract management system that will integrate with the Department's Unified Financial Management System (UFMS). All OPDIVS are included in the HCAS initiative except for NIH and CMS. PSC is leading the initiative to implement HCAS. As such, PSC requests \$8 million to support these efforts in FY 2008 on behalf of its customers.
- \$1 million for enhancements to the Enterprise Human Resources and Payroll (EHRP) system (also known as Capital HR). EHRP is the personnel system that supports HHS' personnel functions. PSC oversees EHRP through its provision of human resources support services. As such, PSC requests \$1 million for enhancements to EHRP in FY 2008.

- \$.8 million to upgrade the Debt Management Collections System (DMCS). PSC offers a full range of state-of-the-art debt management and collection services, covering virtually all types of receivables. As the only Treasury-designated Debt Collection Center, PSC is authorized to provide full-scope debt management services to HHS agencies, and it is the only agency outside of the Department of Treasury authorized to provide due diligence services (notification and demand for payment) to other Federal agencies. The Debt Management Collection System (DMCS) is used to provide these services.
- \$10.2 million for new business external to the Department. The \$10.2 million reflects anticipated new business for the Federal Occupational Health Service (\$3.2 million), anticipated new business for the Administrative Operations Service (\$5 million), and anticipated new business for the Strategic Acquisition Service (\$2 million).
- \$4.257 million for operational increases, including increases for pay (\$3.807 million) and rent (\$.45 million).
- \$.802 million decrease in miscellaneous.

**Expenses by Activity
Dollars in Thousands**

	<u>FY 2006</u>		<u>FY 2007</u>		<u>FY 2008</u>	
	<u>FTE</u>	<u>Actual</u>	<u>FTE</u>	<u>Continuing Resolution</u>	<u>FTE</u>	<u>President's Budget</u>
Administrative Operations Service	187	\$171,427	193	\$194,756	197	\$200,181
Financial Management Service	206	66,987	237	86,982	253	95,012
Federal Occupational Health Service	86	223,137	82	141,352	80	144,980
Human Resources Service	180	52,889	182	62,045	184	63,570
Strategic Acquisition Service	99	67,922	107	79,180	111	89,530
Business Technology Optimization	-	1,229	0	419	0	424
Human Resources Centers	425	49,151	412	52,371	415	53,372
Office of the Director ¹	28		33		36	
TOTAL²	1,211	\$632,742	1,246	\$617,105	1,276	\$647,069

¹ Expenses for the immediate Office of the Director have been distributed to all operating services.

² While the FY 2007 and FY 2008 FTE estimates are target, the PSC's ceiling FTE is 1379.

Revenue by Customer

PROGRAM SUPPORT CENTER													
FY 2007 REVENUE (Current Request)													
by CUSTOMER													
Description	ACF	AOA	AHRQ	CDC	CMS	FDA	HRSA	L.H.S.	NIH	SAMHSA	OS	OTHER	Totals
Administrative Operations Service													-
Freedom of Information			54	54		54	54	54	54	54	54		434
Child Care Development		6	0			300	52		73	24	75		531
Board for Corrections				17	2	15	10	42	9	1	4	22	123
Personnel Security Operations	217	5	10		96					32	253	1	614
Division of Property Management	1,204	128	249	1,565	1,225	17,727	6,677	1,546	329	386	5,358	925	37,321
Division of Technical Services	207	150	502	317	302	8,353	3,191	551	24,921	2,493	2,592	197	43,775
Regions	665	38			359		585	64			1,542		3,253
Mid America CASU (Kansas City)	29				183		4				7	53,709	53,932
RMRC CASU (Denver)				22		28						26,661	26,711
NY CASU	21			4			12				48	27,977	28,062
Sub-Total	\$ 2,343	\$ 327	\$ 815	\$ 1,980	\$ 2,166	\$26,477	\$10,586	\$ 2,257	\$25,387	\$ 2,992	\$ 9,934	\$ 109,493	\$ 194,756
Financial Management Service													
Cost Allocation	1,847	82	26	632	2,099	9	904	147	4,231	175		103	10,256
Payment Management	2,655	173	50	489	825	21	1,125	68	5,552	218	64	2,795	14,035
Debt Management	113	3	1				55	32		9	3	6,780	6,996
Accounting Services	4,295	539	379				4,447	8,828		866	4,386		23,740
Payroll Accounting Services	52	6	12	327	195	442	62	572	716	23	149		2,555
UFMS O&M	1,110	221	440	3,751	391	3,444	1,928	8,800	3,567	453	1,946		26,052
e-Gov Travel COE (New Cost Center in FY07)	88	16	13	794	229	306	70	308	1,222	42	261		3,348
Sub-Total	\$10,160	\$1,040	\$ 921	\$ 5,994	\$ 3,739	\$ 4,222	\$ 8,590	\$18,757	\$15,287	\$ 1,786	\$ 6,808	\$ 9,678	\$ 86,982
Federal Occupational Health													
Clinical Services	171	20	3	414	548	1,487	235	29	103	64	486	73,925	77,485
EAP Services	46	4	8	72	155	267	44	410	40	14	108	41,192	42,359
Environmental Health Services				1,122		209		816		4	109	19,247	21,507
Sub-Total	\$ 217	\$ 24	\$ 11	\$ 1,607	\$ 703	\$ 1,963	\$ 279	\$ 1,255	\$ 143	\$ 82	\$ 702	\$ 134,364	\$ 141,352
Human Resource Service													
EEO Investigations	36		4	140		170	68	277	248	12	26		979
HHS University	458	25	75	1,243	629	1,493	196	1,945	3,993	114	2,450		12,621
HRS EEO Services			141			5	4	5		259	70	3	487
Enterprise Applications	625	75	144	3,933	2,342	5,311	740	6,883	8,611	272	4,554		33,489
Payroll	217	26	50	1,366	813	1,844	257	2,391	2,991	94	621		10,670
Commissioned Corp Support Services Group											3,799		3,799
Sub-Total	\$ 1,336	\$ 126	\$ 413	\$ 6,681	\$ 3,784	\$ 8,823	\$ 1,265	\$11,500	\$15,843	\$ 751	\$11,519	\$ 3	\$ 62,045
Strategic Acquisition Service													
Strategic Sourcing	25	5	5	273	30	301	18	351	1,344	8	25		2,384
Acquisitions Management	2,291	211	101	81	3	6	230	232	77	42	2,026	10,151	15,451
Supply Service Center (Perry Pt.)				900		15		4,500	1,500			54,429	61,345
Sub-Total	\$ 2,316	\$ 216	\$ 106	\$ 1,254	\$ 33	\$ 321	\$ 248	\$ 5,083	\$ 2,922	\$ 49	\$ 2,051	\$ 64,580	\$ 79,180
Business Technology													
Technology Optimization Consulting	-	-	-	-	-	-	-	-	-	-	419	-	419
Sub-Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 419	\$ -	\$ 419
PSC Total	\$16,373	\$1,734	\$ 2,266	\$17,517	\$10,426	\$41,806	\$20,968	\$38,852	\$59,582	\$ 5,660	\$31,432	\$ 318,118	\$ 564,733
Human Resource Centers													
Sub-Total													\$ 52,372
HR Centers Total	\$ 2,110	\$ 208	\$ 480	\$13,425	\$ 8,192	\$16,300	\$ 2,979	\$ 576	\$ 636	\$ 895	\$ 6,569	\$ -	\$ 52,372
Totals	\$18,483	\$1,942	\$ 2,745	\$30,942	\$18,619	\$58,107	\$23,947	\$39,428	\$60,217	\$ 6,555	\$38,002	\$ 318,118	\$ 617,105

PROGRAM SUPPORT CENTER													
FY 2008 REVENUE (Budget Estimate)													
by CUSTOMER													
Description	ACF	AOA	AHRQ	CDC	CMS	FDA	HRSA	L.H.S.	NIH	SAMHSA	OS	OTHER	Totals
Administrative Operations Service													
Freedom of Information	-	-	56	56	-	56	56	56	56	56	56	-	\$ 446
Child Care Development	-	6	0	-	-	309	54	-	75	25	77	-	\$ 546
Board for Corrections	-	-	-	18	2	15	10	43	10	1	4	23	\$ 126
Personnel Security Operations	223	5	10	-	98	-	-	-	-	33	260	2	\$ 631
Division of Property Management	1,238	132	256	1,609	1,259	18,221	6,863	1,589	339	397	5,508	951	\$ 38,361
Division of Technical Services	213	155	516	325	310	8,585	3,280	566	25,615	2,563	2,664	202	\$ 44,994
Regions	684	39	-	-	369	-	601	66	-	-	1,585	-	\$ 3,343
Mid America CASU (Kansas City)	30	-	-	-	188	-	4	-	-	-	7	55,206	\$ 55,435
RMRC CASU (Denver)	-	-	-	23	-	29	-	-	-	-	-	27,403	\$ 27,455
NY CASU	21	-	-	4	-	-	13	-	-	-	50	28,756	\$ 28,844
Sub-Total	\$ 2,408	\$ 336	\$ 837	\$ 2,035	\$ 2,227	\$ 27,215	\$ 10,881	\$ 2,320	\$ 26,094	\$ 3,075	\$ 10,210	\$ 112,543	\$ 200,181
Financial Management Service													
Cost Allocation	1,873	83	27	641	2,129	10	917	149	4,291	177	-	104	10,402
Payment Management	2,693	176	51	496	837	21	1,141	69	5,630	222	65	2,834	14,234
Debt Management	115	3	1	-	-	-	56	33	-	9	3	6,876	7,096
Accounting Services	4,356	547	384	-	-	-	4,510	8,953	-	878	4,448	-	24,076
Payroll Accounting Services	53	6	12	332	198	448	62	581	726	23	151	-	2,591
UFMS O&M	1,778	343	684	6,205	762	5,728	3,098	5,219	5,595	718	3,087	-	33,217
e-Gov Travel COE (New Cost Center in FY07)	89	16	13	805	233	310	71	313	1,239	43	264	-	3,396
Sub-Total	\$ 10,957	\$ 1,174	\$ 1,172	\$ 8,479	\$ 4,158	\$ 6,517	\$ 9,855	\$ 15,317	\$ 17,482	\$ 2,070	\$ 8,018	\$ 9,815	\$ 95,012
Federal Occupational Health													
Clinical Services	176	20	3	424	562	1,525	241	30	106	66	498	75,823	79,475
EAP Services	47	4	8	74	159	274	45	421	41	14	110	42,249	43,446
Environmental Health Services	-	-	-	1,151	-	214	-	837	-	4	112	19,741	22,059
Sub-Total	\$ 223	\$ 24	\$ 11	\$ 1,649	\$ 722	\$ 2,013	\$ 286	\$ 1,288	\$ 147	\$ 84	\$ 720	\$ 137,813	\$ 144,980
Human Resource Service													
EEO Investigations	37	-	4	143	-	174	69	283	254	13	26	-	1,003
HHS University	469	26	77	1,274	645	1,530	201	1,993	4,091	117	2,510	-	12,932
HRS EEO Services	-	-	145	-	-	5	4	5	-	265	72	2	498
Enterprise Applications	641	77	147	4,030	2,399	5,441	758	7,053	8,823	278	4,666	-	34,312
Payroll	223	27	51	1,399	833	1,890	263	2,449	3,064	97	636	-	10,932
Commissioned Corp Support Services Group	-	-	-	-	-	-	-	-	-	-	3,892	-	3,892
Sub-Total	\$ 1,369	\$ 129	\$ 423	\$ 6,846	\$ 3,877	\$ 9,040	\$ 1,296	\$ 11,783	\$ 16,233	\$ 770	\$ 11,802	\$ 2	\$ 63,570
Strategic Acquisition Service													
Strategic Sourcing	27	5	5	297	33	326	19	381	1,460	9	28	-	2,590
Acquisitions Management	532	49	23	19	1	1	53	54	18	10	470	11,028	12,258
Supply Service Center (Perry Pl.)	-	-	-	978	-	17	-	4,889	1,630	-	-	59,133	66,647
HCAS	311	25	111	2,401	670	343	657	1,060	1,761	244	452	-	8,035
Sub-Total	\$ 870	\$ 79	\$ 139	\$ 3,695	\$ 704	\$ 687	\$ 729	\$ 6,384	\$ 4,869	\$ 263	\$ 950	\$ 70,161	\$ 89,530
Business Technology													
Technology Optimization Consulting	-	-	-	-	-	-	-	-	-	-	424	-	424
Sub-Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 424	\$ -	\$ 424
PSC Total	\$ 15,827	\$ 1,742	\$ 2,583	\$ 22,704	\$ 11,687	\$ 45,472	\$ 23,047	\$ 37,091	\$ 64,824	\$ 6,261	\$ 32,125	\$ 330,335	\$ 593,697
Human Resource Centers													
HR Centers Total	\$ 2,150	\$ 212	\$ 489	\$ 13,682	\$ 8,349	\$ 16,612	\$ 3,036	\$ 587	\$ 648	\$ 912	\$ 6,695	\$ -	\$ 53,372
Totals	\$ 17,977	\$ 1,954	\$ 3,072	\$ 36,385	\$ 20,036	\$ 62,084	\$ 26,083	\$ 37,678	\$ 65,472	\$ 7,174	\$ 38,820	\$ 330,335	\$ 647,069

Budget Exhibits

Summary of Changes

SUMMARY OF CHANGES

Rationale for the Budget

FY 2007 Estimate, per FY 2007 Congressional Justification	650,909,000
Net Change, FY 2007	<u>(33,804,000)</u>
FY 2007 Revised Continuing Resolution	617,105,000
Net Change, FY 2008	<u>29,964,000</u>
FY 2008 President's Budget	647,069,000

Details, FY 2007 Net Change:

HSPD-12 increase above initial request	375,000
WITS Telecom contract	2,000,000
CASU expansion of customer base	41,883,000
Decreased Operational Costs	(7,739,000)
eTravel COE increase above initial request	724,000
UFMS Decreased O&M Costs	(903,000)
UFMS Increased Support costs	938,000
FedsHeal Program Termination	(44,767,000)
Decreased HRS Contract Costs (Transferred)	(4,186,000)
SSC Expansion of External Customer Base	190,000
HRLoB Unrealized Business	<u>(22,319,000)</u>
Total Change, FY 2007	<u>(33,804,000)</u>

Details, FY 2008 Net Changes:

Pay	3,807,000
Rent/Utilities	450,000
Misc.	(802,000)
Anticipated New Business (FOH \$3.2, AOS \$5, SAS \$2)	10,200,000
UFMS O & M Expansion	6,474,000
DMCS Upgrade	800,000
EHRP Enhancements	1,000,000
HCAS	<u>8,035,000</u>
Total Change, FY 2008	<u>29,964,000</u>

Budget Authority by Activity

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM SUPPORT CENTER

Budget Authority by Activity

	FY 2006	FY 2007	FY 2008	Increase or Decrease
	Actual	Continuing Resolution	President's Budget	
Expenses.....	\$632,742,475	\$617,105,000	\$647,069,000	\$29,964,000
FTE.....	1,211	1,246	1,276	30
Administrative Operations Service	171,426,616	194,756,000	200,181,000	5,425,000
Financial Management Service.....	66,986,805	86,982,000	95,012,000	8,030,000
Federal Occupational Health.....	223,137,193	141,352,000	144,980,000	3,628,000
Human Resources Service.....	\$52,889,580	\$62,045,000	\$63,570,000	\$1,525,000
Strategic Acquisition Service	67,921,937	79,180,000	89,530,000	10,350,000
Business Technology Optimization	1,228,975	419,000	424,000	5,000
Human Resources Centers.....	49,151,369	52,371,000	53,372,000	1,001,000
TOTAL.....	\$632,742,475	\$617,105,000	\$647,069,000	\$29,964,000

Budget Authority by Object

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM SUPPORT CENTER
EXPENSES BY OBJECT

	FY 2007	FY 2008	Increase or
	Continuing Resolution	President's Budget	Decrease
Full-time equivalent employment.....	1,246	1,276	30
Full equivalent of overtime & holiday hours.....	11	11	0
Average SES level.....	3.38	3.38	0
Average SES salary.....	\$157,742	\$166,678	\$8,936
Average GS grade.....	10.98	10.94	-0.04
Average GS salary.....	76,457	80,789	4,332
Average CO grade.....	4.82	4.82	0.00
Average CO salary.....	67,504	69,405	1,901
Average Wage Graded grade.....	5.12	5.12	0
Average Wage Graded salary.....	43,784	46,264	2,480
Personnel Compensation:			
Full-Time Permanent (11.1).....	\$86,540,000	\$91,443,000	4,903,000
Other than Full-Time Permanent (11.3).....	3,926,000	4,148,000	222,000
Other Personal Compensation (11.5).....	2,046,000	2,162,000	116,000
Military Personnel (11.7).....	3,848,000	3,956,000	108,000
Subtotal, Personnel Compensation.....	96,360,000	101,709,000	5,349,000
Civilian Personnel Benefits (12.1).....	26,983,000	28,205,000	1,222,000
Military Personnel Benefits (12.2).....	1,811,000	1,862,000	51,000
Benefits to Former Personnel (13.0).....	378,000	390,000	12,000
Subtotal, Pay Costs	125,532,000	132,166,000	6,634,000
Travel (21.0).....	2,490,000	2,622,000	132,000
Transportation of Things (22.0).....	3,289,000	3,465,000	176,000
Rental Payments to GSA (23.1).....	13,838,000	14,575,000	737,000
Communications, Utilities, and Miscellaneous Charges (23.3).....	39,870,000	41,993,000	2,123,000
Printing and Reproduction (24.0).....	571,000	602,000	31,000
Other Contractual Services:			
Advisory and Assistance Services (25.1).....	35,011,000	36,875,000	1,864,000
Other Services (25.2).....	225,281,000	234,429,000	9,148,000
Purchases from Govt. Accts. (25.3).....	35,892,000	37,804,000	1,912,000
Operation and Maintenance of Facilities (25.4).....	24,204,000	25,493,000	1,289,000
Medical Care (25.6).....	35,390,000	37,275,000	1,885,000
Storage and Maintenance (25.7).....	10,696,000	11,265,000	569,000
Subtotal, Other Contractual Services.....	366,474,000	383,141,000	16,667,000
Supplies and Materials (26.0).....	62,068,000	65,374,000	3,306,000
Equipment (31.0).....	2,973,000	3,131,000	158,000
Subtotal, Non-Pay Costs.....	491,573,000	514,903,000	23,330,000
Total, Reimbursable Obligations.....	617,105,000	647,069,000	29,964,000

Salaries and Expenses

Object Class	FY 2007	FY 2008	Increase
	Continuing Resolution	President's Budget	or Decrease
Personnel Compensation:			
Full-Time Permanent (11.1).....	\$86,540,000	\$91,443,000	4,903,000
Other than Full-Time Permanent (11.3).....	3,926,000	4,148,000	222,000
Other Personal Compensation (11.5).....	2,046,000	2,162,000	116,000
Military Personnel (11.7).....	3,848,000	3,956,000	108,000
Subtotal, Personnel Compensation.....	96,360,000	101,709,000	5,349,000
Civilian Personnel Benefits (12.1).....	26,983,000	28,205,000	1,222,000
Military Personnel Benefits (12.2).....	1,811,000	1,862,000	51,000
Benefits to Former Personnel (13.0).....	378,000	390,000	12,000
Subtotal, Pay Costs.....	125,532,000	132,166,000	6,634,000
Travel (21.0).....	2,490,000	2,622,000	132,000
Transportation of Things (22.0).....	3,289,000	3,465,000	176,000
Communications, Utilities, and Miscellaneous Charges (23.3).....	39,870,000	41,993,000	2,123,000
Printing and Reproduction (24.0).....	571,000	602,000	31,000
Other Contractual Services:			
Advisory and Assistance Services (25.1).....	35,011,000	36,875,000	1,864,000
Other Services (25.2).....	225,281,000	234,429,000	9,148,000
Purchases from Govt. Accts. (25.3).....	35,892,000	37,804,000	1,912,000
Operation and Maintenance of Facilities (25.4).....	24,204,000	25,493,000	1,289,000
Medical Care (25.6).....	35,390,000	37,275,000	1,885,000
Storage and Maintenance (25.7).....	10,696,000	11,265,000	569,000
Subtotal, Other Contractual Services	366,474,000	383,141,000	16,667,000
Supplies and Materials (26.0).....	62,068,000	65,374,000	3,306,000
Subtotal, Non-Pay Costs	474,762,000	497,197,000	22,435,000
Total, Reimbursable Obligations.....	600,294,000	629,363,000	29,069,000

Narrative by Activity

Administrative Operations Service

Authorizing Legislation - 42 USC 231

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Expenses	\$171,427,000	\$194,756,000	\$200,181,000
FTE	187	193	197

FY 2008 AuthorizationIndefinite

Statement of the Budget Request

The estimated FY 2008 budget for the Administrative Operations Service is \$200,181,000, to provide administrative operations services as described below.

Program Description

The Administrative Operations Service (AOS) provides a wide range of administrative and technical services to customers within the Department and to other Federal Agencies, as well as corporate support to the PSC. The mission of AOS is to provide high-quality administrative support services at competitive prices by capitalizing on its expertise and leveraging economies of scale. Major service areas in AOS include: *Property Management*, including facilities management, space leasing, disposition of surplus Federal property, personnel and physical security, and logistics services, including receiving, asset management, storage and disposal; *Technical Support*, including telecommunications, visual communications, printing and publications, reprographics, conference facilities, and mail and messenger services; and *Other Administrative & Corporate Support*, including Freedom of Information Act services, regional administrative support, services by Cooperative Administrative Support Units, ethics, competitive sourcing, and business operations.

Property Management

The AOS Division of Property Management (DPM) mission includes facilities management, leased space management, personnel and physical security services, disposition of surplus Federal property, and logistics services, including receiving, asset management, storage and disposal.

DPM provides building management, space acquisition, space alterations, and leased space management for customers located in leased facilities in the Washington metropolitan area, in the 10 HHS Regional Offices, and the newly established offices in support of the Office of Medicare Hearings and Appeals (OMHA). By delegation from the General Services Administration (GSA), DPM performs lease contract management of the Parklawn Building and the Personal Property Facility located in Montgomery

County, Maryland. DPM also acts as a liaison between GSA and the HHS tenants on all leased space issues in 15 buildings in Montgomery County and the District of Columbia. DPM partners with the Office of the Secretary in support of Departmental initiatives related to real property management issues.

As part of its facilities management services, DPM manages several programs. The facility managers of DPM maintain an aggressive energy management program, which has resulted in utility company rebates and savings that have been, in turn, reinvested in additional energy conservation projects and helped offset rising utility rates. DPM's recycling and shredding programs continue to add more materials for collection and reuse. The Safety Program has added Automated External Defibrillator (AED) units to a number of facilities and provided initial and refresher training to over 300 employees annually in AED/CPR techniques. In addition, DPM administers the Department's Transit Subsidy Program that includes over 7,000 customers and a media value of over \$5 million a year.

DPM manages both initial and subsequent alteration projects from design through move-in. Staff specialists design the space, monitor the work, and track project costs using a proprietary Computer Aided Design (CAD) Program. This system quantifies work items from a Unit Price Agreement (UPA) and projects the total project cost. The system also captures space assignment square footage from which rent charges are based.

DPM provides complete personnel and physical security services to include: advising on appropriate position sensitivity; processing background investigations; adjudicating cases with issues; taking digital fingerprints; verifying previous background investigations; processing Special Agreement Checks; providing consultation services for personnel and physical security issues; installation, maintenance, and oversight of security equipment; contract guard services; and, emergency planning operations. In addition, DPM has assumed a lead role in implementing HSPD-12 shared services locally and across the nation, including employee identity proofing and identification card issuance. The physical security initiatives include: an automated security access system, a Shelter-In-Place Plan, a Continuity of Operations (COOP) Plan, and an emergency notification system utilizing the HHS Octel network, which alerts COOP members of emergencies. In addition, DPM maintains security around the perimeter of the Parklawn Building to include physical barriers such as raised berms, posts, and reinforced railings.

DPM administers the Surplus Federal Property Assistance Program for the Department and has transferred over three hundred surplus properties across the United States (U.S.) and U.S. Territories to states, local governments, and nonprofit organizations. DPM is instrumental in the transfer of all properties determined suitable for health related program purposes and prioritizing homeless assistance programs. Other health use organizations are laboratories, clinics, and water and wastewater facilities. This activity is expected to grow as the Federal Government continues to release its surplus real property to state, local and non-profit organizations.

DPM operates the 105,000 square foot Personal Property Facility (PPF) in Gaithersburg, Maryland which offers secure storage and climate controlled areas to provide for a diversity of logistics services including receiving, asset management, storage and disposal. PPF is equipped with a radio frequency online automated inventory control system, state-of-the-art racking, and specialized material handling equipment. The inventory control system provides life cycle inventory management information, property disposition tracking, and ensures optimal space utilization. An Internet web site provides customers the opportunity to request personal property management services, product distribution services, and contract labor services electronically, around the clock and around the country. The web ordering system interfaces with other automated systems to provide paperless transactions, track workload data, and eliminate duplication of data input. An automated carousel system, which interfaces with the web ordering system and an automated mail/shipping system, supports DPM's forms and publications distribution business. A secure, certified and accredited web-based Personal Property Management Information System (PMIS) provides all or part of the personal property management capability for all but one of the HHS OPDIVs. An automated interface with the software used by the PSC Acquisitions Management office significantly reduces redundant data entry for some purchases. A similar interface between PMIS and the Unified Financial Management System (UFMS) is in program development at this time, including completion of the functional design of the interface. Coding for the PMIS/UFMS interface program is imminent. The interface is expected to be operational by the end of FY 2007. When complete, the three integrated systems will provide shared data capability through the lifetime of all capitalized and non-capitalized personal property assets, as well as directly reported depreciation results for the financial records.

Technical Support

The mission of the AOS Division of Technical Support (DTS) includes telecommunications, visual communications, forms management, printing and publications, reprographics, conference facilities, and mail and messenger services.

The DTS Telecommunications staff provides cost-effective, responsive, and flexible telecommunication's products and services for HHS within the National Capital Region. They provide strategic coordination, integration of voice, data, and video communications via telephone network facilities, and implement major network changes to assure cost efficient, technologically current services. Specialists establish and manage partnerships with customers and vendors, and serve as liaisons with customer telecommunications managers. These specialists are also responsible for the voice mail systems, desktop maintenance, and management and oversight of domestic and international long distance services including domestic and international calling cards, and 800 services. Centralized billing for telecommunications includes high level monitoring of vendor invoices to ensure accuracy and contract compliance, and a central focus dedicated to providing error-free bills for all customers.

The DTS visual communications staff works with graphic design contractors as partners in the process of delivering high quality media services to customers. DTS staff possess

expertise in interacting with customers in both concept and administrative functions, allowing contractors to perform their specialty without the hindrance and distraction of this facet of the job, ultimately saving the customer time and money. DTS offers a full range of conference services to customers with its 15-room conference facility. This facility offers a professional staff of audio visual technicians who provide services that include the latest technology for videoconferencing, satellite downlink broadcasts, web casting, and distance learning. In addition, digital projection systems for use with computer-generated, large screen presentations provide customers with the latest high resolution technology needed in medical seminars and meetings for health and drug research professionals.

DTS administers the HHS Forms Management Program and develops Department-wide initiatives, policy, and procedures governing the program. In addition to serving as the focal point for HHS in the implementation of the Presidential Management Agenda (PMA) E-Forms Initiative, DTS provides for the review, clearance, control, numbering, and inventory for all official forms used within the Department.

DTS is responsible for the development, management, and execution of an ongoing agency-wide printing procurement and product distribution program. This includes providing technical expertise, direction, procurement, and execution of all aspects of the Federal printing and publishing program.

DTS provides postal metering and delivery of mail pieces for customers of HHS. It sorts, meters, ships, and delivers mail for HHS customers located both at the Southwest Complex in Washington, DC and the Parklawn Complex in suburban Maryland. Branch specialists are responsible for maintaining an agency-wide mail management program which includes the yearly estimating, verification, and reporting of HHS' actual mail expenditures.

Other Administrative & Corporate Support

Through the AOS Office of the Director, Division of FOIA Operations, and the PSC Business Office, AOS also provides the following services to customers and corporate functions for PSC:

Board for Corrections – AOS manages the Department's Board for Correction of Commissioned Corps Officer Record (Board). The Board serves as the final administrative step when Commissioned Corps officers allege errors in records or injustices. The Board exercises broad authority in correcting records or injustices when they occur.

Child Care Coordination – AOS provides contract oversight to the center which provides on-site child care for children of HHS employees working in or near the Parklawn Building in Rockville, MD. This oversight ensures an appropriate curriculum, adequate trained staff, and efficient administration of the center. The office also monitors the center's accreditation and compliance with the licensing regulations. In addition,

AOS currently manages the Child Care Subsidy Program for PSC, FDA, AOA, SAMHSA, and HHS/OS components.

Cooperative Administrative Support Unit (CASU) – PSC is the Lead Agency for the Mid-America CASU in Kansas City, MO; the Mid-Atlantic CASU in NY; and the Rocky Mountain Regional CASU in Denver, CO. AOS provides management and oversight functions for the CASUs. The CASUs provide consolidated services to its customers in a cost effective and customer oriented manner, thus reducing redundancies and achieving economies of scale. The CASUs are governed by a Board of Directors made up of heads of its local customer agencies. The CASUs provide mail, contract staffing, copier management, copy paper, maintenance and repair, labor and moving, IT training, office supply and forms distribution, procurement, hearing impaired interpreter, bus pass, and conference room scheduling services to hundreds of customers across the country.

Regional Administrative Support – AOS provides administrative services to HHS staff in the 10 Regional Offices in Boston, New York, Philadelphia, Atlanta, Chicago, Dallas, Kansas City, Denver, San Francisco and Seattle. Services offered include facility, space planning, personal property, telecommunications, mail, office automation, and miscellaneous administrative support services.

Freedom of Information Act (FOIA) Services – AOS provides services to the Public Health Service agencies and the PSC in compliance with FOIA. Services include the processing of all FOIA requests involving more than one agency or the PSC, processing all administrative appeals for signature by the Deputy Assistant Secretary for Public Affairs, working with the Office of the General Counsel to respond to litigation filed under the FOIA, and providing Department-wide training and consultation on FOIA matters. AOS also provides Privacy Act and Records Management services to the PSC. Privacy duties include updating PSC System of Record Notices to ensure compliance with the Act; developing or amending System Notices as needed; ensuring that the collection and maintenance of information is permitted; addressing unauthorized disclosures of personally identifiable information; reviewing HSPD-12 compliance issues; and advising employees of privacy rights and responsibilities. Records management activities include maintaining and updating record retention schedules; assisting with the destruction and retirement of records; and reviewing record retention policies and procedures for PSC components to ensure compliance with the guidelines of the National Archives and Records Administration.

Business Services – The PSC Business Office (PBO) is responsible for a variety of business management support functions for PSC, including budget formulation and execution, strategic and business planning, performance management, service level agreements, internal and external communications, organizational structures, and business process improvement. PBO maintains the PSC Revenue, Invoicing, and Cost Estimation System (PRICES), an automated business management system with modules for costing & pricing, customer invoicing, and management reporting, which provides timely and detailed billing information to customers via the web. This system is

integrated with the accounting system, allowing for the visibility of net operating result information and for the evaluation of actual revenue against actual costs by business line.

Competitive Sourcing – The PSC Office of Competitive Sourcing manages all aspects of the program for the PSC, ensuring compliance with OMB Circular A-76 and meeting all goals and objectives of the Department and PMA. Key functions include preparing the annual PSC FAIR Act Inventory, conducting competitive sourcing studies, and monitoring the performance of winning in-house activities including Most Efficient Organizations (MEO).

Ethics – The Ethics Office facilitates the PSC Ethics Program, under the direction of the PSC Designated Ethics Counselor. This includes public and confidential financial disclosure, annual training, off-duty employment, and advice on ethics issues.

Strategic Workforce Management – The AOS Office of the Director manages the PSC Workforce Programs including the Awards and Recognition Program, Individual Development Planning Program, and the Succession Planning Program. Overall it is responsible for planning, developing, implementing, and maintaining policies, standards, programs and procedures governing workforce management across all components of the PSC.

Rationale for the Budget Request

The FY 2008 expenses for the Administrative Operations Service are estimated at \$200,181,000, a net increase of \$5,425,000 from FY 2007 based on \$5,000,000 to expand the CASU customer base, \$506,000 for pay increases, \$179,000 for rent increases and a miscellaneous decrease of \$260,000. It is anticipated that the CASUs will increase the procurement services and temporary staffing services it provides to the Department of Defense.

AOS Performance Analysis

FY 2006 was another productive year for AOS. In addition to providing critical services to its customers each day, the following highlights accomplishments achieved and initiatives undertaken by AOS during the year:

Asset Management System Consolidation – AOS has successfully led the Department-wide effort to consolidate departmental legacy systems into a single data base, the Property Management Information System (PMIS). This fiscal year AOS completed the data and migration of records for HRSA, CMS and IHS and migrated sufficient property records from FDA and CDC to formally achieve proof of concept. This effort has already led to streamlined financial reporting policies throughout the Department and promises to reduce manual accounting intervention by hundreds of hours per year. When the consolidation effort is completed at the end of FY 2007, PMIS will serve as the sole reporting source for changes to the financial state of personal property throughout HHS.

In addition, PMIS began formal work with UFMS to implement the integrated link between capital depreciation reporting and the financial system. This interface has completed the functional design phase and is now in coding for program implementation.

Energy Management - AOS continues to initiate energy/water reduction initiatives at the 1.4 million square foot Parklawn Building. As a result of changes which have taken place at the facility (replacement of mechanical and electrical equipment and systems, operational changes, educating employees about energy saving ideas, Parklawn has dropped its energy and water consumption substantially. Energy consumption has dropped 30% in the Parklawn Building since 1985 when reduction initiatives were first implemented and water consumption has dropped 47% since 1998. As a result, the building was recently certified as an Energy Star Building by the Environment Protection Agency. This certification distinguishes the building as one of the top 25% in the nation in terms of energy performance, and makes it a testament to improving our environment as well as the organization's bottom line.

Security Services – The Homeland Security Presidential Directive 12 (HSPD-12), “Policy for a Common Identification Standard for Federal Employees and Contractors,” requires all Federal Government agencies to develop specific and consistent standards for both physical and logical identification systems. The National Institutes of Standards and Technology (NIST) established detailed standards on implementing processes and systems to meet the personal identity verification (PIV) requirements of HSPD-12. These standards consist of two parts: PIV-I, security requirements; and PIV-II, technical interoperability requirements.

In FY 2006, AOS consolidated its Physical and Personnel Security Branches to better address HSPD-12 requirements. This consolidation allows PSC to implement a secure, seamless, end-to-end identity management applicant registration and identification card issuance service. The merger is anticipated to eliminate duplication, streamline operations, lower costs, and reduce the time it currently takes to process and receive background investigation findings.

AOS inventoried identification card readers in each of the 10 Regional Offices and is meeting with Regional Directors, the General Services Administration (GSA), and the Federal Protective Service (FPS) to assess HSPD-12 generated needs and coordinate activities. Through the efforts of AOS, PSC has the HHS lead in the regions for HSPD-12. In addition, AOS has played a key leadership role in helping the Department to achieve HSPD-12 goals and OMB deadlines. AOS representatives participate on the agency-wide HSPD-12 working group and co-chair the important PIV-I subcommittee. PSC has also hosted a continuing series of vendor demonstrations so that the operating and staffing divisions of the Department are poised to procure compliant software and equipment even before these items are posted on NIST and GSA lists of HSPD-12 approved items. PSC is in the process of installing digital fingerprint machines in each of the Federal regional office buildings and is exploring new business opportunities with other Federal partners.

Parklawn Building Replacement – AOS is coordinating with GSA on all aspects of the Parklawn Replacement Lease, which will result in a replacement lease for the largest office building in the state of Maryland. We assisted in the development of the Prospectus to be reviewed by Congress and OMB and worked closely with GSA’s contractor to develop the HHS program of requirements for the new space acquisition. AOS has reviewed and provided extensive input to the solicitation, and will participate in the workgroups required in this source selection procurement.

Surplus Federal Property Assistance Program – The Division of Property Management performed 28 site utilization surveys this fiscal year. There were 5 health conveyances and 5 homeless conveyances for a total of 14 buildings, totaling 143 acres of land with an acquisition value of approximately \$2 million. Also during this period, a policy change was enacted to allow permanent supportive housing for the homeless as an approvable use of property transferred under Title V of the McKinney-Vento Homeless Assistance Act. AOS supported the Department in its effort to end chronic homelessness.

Warehouse Consolidation - AOS hosted a contractor team studying the Department’s storage, distribution, and labor services functions in the National Capital Region. Working with the Department’s Office of Acquisition Management and Policy (OAMP), AOS drafted a statement of work for the study, funded it, and coordinated OPDIV involvement in the data collection efforts. Upon completion of the study, AOS coordinated briefings to the Assistant Secretary for Administration and Management (ASAM) and the OPDIVs on the resulting recommendations. The recommendations forecasted a \$10 million savings over three years. Without a Departmental mandate to implement the recommendations, AOS proceeded to work with OAMP and the OPDIVs to form collaborative work groups to pursue worthy activities. To date, the first recommendation – closing FDA warehouses – has been agreed upon, with one such facility having already been closed and the second scheduled for the summer of 2007. Other efforts are still underway to consolidate distribution and labor service contracts.

Logistics - AOS successfully partnered with the National Stockpile to store 5,000 pallet of response material, in direct support of the National Response Plan. The project, aimed at spreading valuable and necessary health and medical response assets around the country, reduces the stress on CDC warehouses, serves as a reserve supply depot for a number of emergency related commodities, offers the opportunity to expedite deliveries to this region and contributes to the "One-HHS" mission. In addition, AOS successfully partnered with the Office of the Assistant Secretary for Preparedness and Response (formerly the Office of Public Health Emergency Preparedness) to store material in direct support of the Federal Medical System response requirements. The task includes providing transportation support, inventory management support, logistics planning and warehousing support for field medical facilities used in response to emergency situations anywhere in the country. Like the project with CDC, this tasking requires two hour response capability around the clock.

Management Information Tracking Technical Services (MITTS) System – The Management Information Tracking Technical Services (MITTS) system is the primary

management information database utilized for tracking workload, employee performance, and technical support services provided to AOS customers by the Division of Technical Support. FY 2006 upgrades and improvements include increased electronic customer notifications, automated reporting on performance standards, additional linking to independent systems allowing for electronic data transfer, intricate and complex contract cost estimating functionality, and a telecommunications module. These enhancements have improved efficiency and accuracy while taking external communications to a new level in service delivery.

CASUs - PSC assumed the lead agency role for the Denver and New York CASUs effective October 1, 2005. Over the course of this past year, AOS worked to assimilate and integrate these new organizations into HHS with no adverse impact on customers. Both organizations now take advantage of the business process tools, costing/billing systems, performance tracking, and other tools used by the PSC.

FOIA – The Freedom of Information Act (FOIA) Office reviewed and identified those PSC components that are maintaining Privacy Act Systems of records to ensure that the PSC is in compliance with the mandates of the Privacy Act and that no illegal systems of records are being maintained. Further, it revised the existing PSC System of Records Notice concerning Parking, Transshare, and Security activities to ensure that the collection of data for these activities is properly covered under the Privacy Act. The FOIA Office developed notification language for systems of records containing personally identifiable information to notify employees regarding their responsibilities when inadvertent access to protected information occurs. It reviewed the recordkeeping activities of PSC components and alerted management to any violations of record retention schedules. FOIA reviewed all PSC forms to determine which forms must be updated to ensure Privacy Act compliance. In addition, FOIA Office met all of the requirements and due dates established thus far by the new FOIA Executive Order 13392, “Improving Agency Disclosure of Information.”

A FOIA improvement plan was developed to reduce and eliminate the FOIA backlog. As of March 2006, the FOIA Office had 91 open FY 2005 cases and 59 pending FY 2005 administrative appeals. Currently, it has completed the processing of all FY 2005 cases and appeals, which was a major target in our improvement plan. A primary focus of the FOIA improvement plan is to target the older cases and appeals and give them priority/expedited processing. This approach has been highly effective. As of December 2006, of the 575 cases received in FY 2006, 94 remain pending. Of the 100 administrative appeals that were received in FY 2006, 48 remain pending. Because administrative appeals require interaction with the agency that issued the original denial, OGC review and signature by the Deputy Assistant Secretary for Public Affairs/Media, processing times widely vary.

Performance Management – AOS continues to manage the performance management program for PSC, to include collecting performance data, informing decision-makers, refining approaches for analysis of the data, and taking corrective action to address areas for improvement. For FY 2006, monthly reports were developed and distributed to

provide timely performance information to decision makers. This resulted in recognition of high performing areas and corrective action plans to address areas needing improvement. In addition, performance measures for FY 2007 and FY 2008 were developed by operations managers in consultation with the PSC Director and the PSC Business Office.

Another element under the Performance Management Program is managing customer satisfaction through various customer feedback mechanisms. For performance reporting, PSC collects and tracks customer satisfaction utilizing an electronic survey that is available for customer input 24/7. The resulting data is analyzed monthly to determine overall customer satisfaction with services and to identify areas for improvement. In addition to the performance measure for customer satisfaction, PSC conducted the Annual Customer Survey in April and the Annual Regional Customer Survey in August. The Annual Customer Survey for FY 2006 was administered to 5,320 customers and 1260 responded. The survey results indicate customers continue to be generally satisfied with PSC products and services. The feedback received from the Annual Customer Survey is compared to the prior year's results and is used to address weaknesses and improve processes. For example, one weakness is the lack of consistent customer interaction. To address this weakness, PSC is launching a customer newsletter to keep customers informed. The Annual Regional Customer Survey was administered to 295 customers and 169 responded. The purpose of this survey is to manage performance of contract staff in the regions.

Communications – AOS fully established the PSC Communications Program in FY 2006 to include internal and external communication objectives. This effort involved development of an annual employee communication survey, establishment of a new employee orientation program, update and active content management of our Intranet and Internet sites, a brand/logo management plan, and other initiatives. The PSC Communications Program enables us to communicate more effectively with our employees and to communicate strategically with existing and prospective customers in order to maintain and grow our business. Further, the PSC established a new Customer Service Storefront in the Hubert H. Humphrey Building that will improve the service provided to customers and will increase visibility of the PSC in Washington, DC.

Competitive Sourcing – Under the management of AOS, PSC met all requirements of both the FAIR Act and A-76 programs for this fiscal year. In FY 2006, AOS successfully conducted the Graphic Arts and Conference Services (GACS) streamlined competition, which affected 22 FTE positions (15 Government and 7 contract support positions). AOS staff provided the technical and functional expertise to ensure compliance with the Federal Acquisition Regulation (FAR) and Circular A-76; provided the necessary resources and training to conduct the study; and, developed, certified, and submitted the Agency Tender. Upon completion of this study, the Government determined GACS's Most Efficient Organization (MEO) to be the low-cost service provider. For FY 2007, PSC's Competitive Sourcing "Green" Plan, which consists of three streamlined competitions with MEO development, has been submitted and approved by ASAM's Office of Competitive Sourcing.

Financial Management Service

Authorizing Legislation - 42 USC 231

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Expenses	\$66,987,000	\$86,982,000	\$95,012,000
FTE	206	237	253

FY 2008 Authorization.....Indefinite

Statement of the Budget Request

The estimated FY 2008 budget for the Financial Management Service is \$95,012,000, to provide financial management services as described below.

Program Description

The Financial Management Service (FMS) serves as a major part of the foundation of the Department’s finance and accounting operations through the provision of a wide array of accounting and financial services; debt management and collection services; grant payment, cash management, and accounting support services; and indirect cost rate negotiation and approval services for HHS and other Federal grant and program activities. FMS also provides fiscal advice, technical and policy guidance, and assistance in implementing new initiatives aimed at assuring compliance with regulatory requirements. In addition, FMS is the Department’s Center of Excellence for E-Gov Travel and the provider of operations and maintenance support for the Department’s Unified Financial Management System (UFMS). The mission of FMS is to provide high-quality financial management services at competitive prices. This is accomplished through the provision of centralized products and services that focus on timely and accurate service delivery.

Financial Operations

The Division of Financial Operations (DFO) provides a full range of financial and accounting services including commitment and fund accounting, funds control, disbursements, financial reporting, financial statement preparation, and assistance with solving financial problems. These services are provided to the PSC and several HHS OPDIVS, including the Administration for Children and Families (ACF), Administration on Aging (AoA), Indian Health Service (IHS), Health Resources and Services Administration (HRSA), Substance Abuse and Mental Health Services Administration (SAMHSA), and the Agency for Healthcare Research and Quality (AHRQ) as well as the Office of the Secretary (OS).

DFO accounts for all costs, obligations, disbursements, advances, receivables, expenses, revenue and accruals, and supports administrative control of funds. It applies proprietary

and budgetary accounting principles to appropriations, allotments and allowances in processing cash receipts, recording purchases (obligations), receiving (accruals), disbursements, payroll, and inventory control. All obligations recorded in the accounting system by DFO follow the Government Accountability Office (GAO) guidelines published in the Principles of Federal Appropriations Law. To address internal control weaknesses identified in the Department's FY 2006 Performance and Accountability Report, PSC plans to strengthen its internal control procedures during FY 2007.

DFO furnishes fiscal advice, and provides technical and policy guidance to headquarters program offices and field accounting activities. Additionally, DFO prepares auditable financial statements and reports for internal and external use.

In support of its activities, DFO uses the UFMS and the Core Accounting System (Indian Health Service only) both of which comply with Federal generally accepted accounting principles. In addition, DFO adheres to Federal fiscal laws and regulations mandated by the GAO, Office of Management and Budget (OMB), General Services Administration (GSA), and the Department of the Treasury (Treasury).

The major statutes that govern DFO operations include but are not limited to: Chief Financial Officers Act of 1990, Certifying Officers Act of 1941, Prompt Payment Act of 1989, Federal Managers' Financial Integrity Act of 1982, Federal Financial Management Improvement Act of 1996, Debt Collection Improvement Act of 1996, Government Performance and Results Act of 1993, and the Government Management Reform Act of 1994. DFO also follows OMB Circular A-11 instructions on budget execution under existing Federal laws and OMB Circular A-123, Management Responsibility for Internal Controls, including Appendix A, Internal Control over Financial Reporting.

DFO is a Treasury designated Debt Collection Center for (1) Health Profession Debt; (2) HHS debt less than 180 days delinquent; and (3) audit and program disallowances for a period of 180 days following the completion of any appeals. While DFO provides debt management services for all components within HHS, the HHS debts not included within the designation that are greater than 180 days delinquent are electronically referred to Treasury's Debt Collection Center for cross servicing. The services provided include day-to-day interaction with the Department of Justice and Treasury to successfully collect overdue accounts. Collections are deposited within 24 hours to either the Treasury or appropriate agency account.

DFO refers eligible Health Professions debt to the Office of the Inspector General (OIG) for exclusion from participation in Medicare. Prompt, accurate, effective collection and deposit of funds owed to the Federal Government is essential to fulfillment of public financial and program objectives. Timely exclusion from federally supported Medicare reimbursement for services has been highly effective in achieving compliance from medical professionals who fail to meet legal debt obligations to the Federal Government.

In support of the Department's effort for improved financial performance, DFO provides operational and maintenance (O & M) support for UFMS. The scope of O & M services

includes post deployment support and ongoing business and technical operations services. Post deployment services include supplemental functional support, training, change management, and technical help desk services. Ongoing business operation services involve core functional support, training and communications, and business help desk services. Ongoing technical services include the operations and maintenance of the UFMS production and development environments, ongoing development support, and backup and disaster recovery services.

DFO, through its E-Gov Travel Center of Excellence, provides operational customer support on travel related services for the HHS.

Payment Management

The Division of Payment Management (DPM) provides centralized electronic grant and grant-type payment, cash management, and grant accounting support services to HHS and 12 other Federal Departments and Agencies. DPM serves as a fiscal intermediary between Federal Awarding Agencies and recipients of grants and grant type awards. As part of its services, DPM provides same day and next day automated payments; monitors the status of funds in the hands of grant recipients and initiates collection action as needed; provides debt collection services for disallowances or disallowed costs, and reports information to the Department of Commerce for Federal domestic assistance awards. In addition, DPM is designated by OMB as the Federal Government's central collection point for interest earned on advances of Federal grant and grant-type funds.

DPM operates and maintains the Payment Management System (PMS). PMS is an automated system used to provide disbursement, grant monitoring, reporting, and cash management services to both awarding agencies and grant recipients. PMS is a highly flexible system capable of receiving automated or manual payment requests; editing them for accuracy and content; batching them for forwarding to the Federal Reserve Bank for payment; and recording and posting them to the appropriate general ledger accounts. On-line inquiry capabilities allow all PMS users to determine the status of their respective accounts on a real-time basis. The timing and amount of payments may be checked, balances verified, collection information confirmed, and funding levels and grant award amounts verified. PMS is accessible through the DPM home page.

Cost Allocation

The Division of Cost Allocation (DCA) is the third major component of FMS and is responsible for reviewing and negotiating facility and administrative rates (also known as indirect cost rates), fringe benefit rates, special rates as determined to be appropriate, research patient care rates, statewide cost allocation plans, and public assistance cost allocation plans. DCA provides these services on behalf of Federal granting and contracting agencies nationwide based on the legal requirement for grant and contract issuing agencies to review cost allocation methods and practices of entities receiving Federal grant and contract funds. Through its services, DCA helps ensure that indirect cost rates paid by the Federal Government are legally sound, fair, and equitable.

Additional services provided by DCA include: resolving audit findings on cost allocation plans and indirect cost rates; providing guidance on matters affecting grant programs; providing recommendations on improving grantee accounting systems; and providing assistance in developing Government-wide and Department-wide accounting policies, procedures, and regulations.

In addition, for organizations not subject to the commercial cost principles, DCA collects rate agreements (issued by HHS and other Departments) and distributes them on a government-wide basis. DCA also evaluates a wide range of ADP and telecommunication facilities operated by state/local governments, colleges and universities, and other nonprofit organizations to determine whether charge-backs for services to Federal programs are reasonable, proper and allowable under Federal cost principles.

In support of its activities, DCA maintains the Cost Allocation Management Information System, the Indirect Cost Rate Information System, the Rate Agreement Distribution System and the Statistical Analysis System.

Rationale for the Budget Request

The FY 2008 expenses for the Financial Management Service are estimated at \$95,012,000, a net increase of \$8,030,000 from FY 2007 based primarily on \$6,474,000 for UFMS Operations and Maintenance, \$800,000 for upgrades to the DMCS system, \$876,000 for pay increases/new hires, \$57,000 for rent and a miscellaneous decrease of \$177,000.

FMS Performance Analysis

Unified Financial Management System (UFMS) – In FY 2006, FMS continued to contribute to the Department-wide implementation of UFMS, the Department's new and consolidated financial system. As the provider of accounting services to six of the Department's OPDIVs and the Office of the Secretary, representatives from FMS worked closely with the UFMS project team and staff from organizations within the Department on development activities. Contributions to this effort included not only resources but sponsoring training, conducting workflow analysis, analyzing staffing requirements, and numerous other steps to ensure a successful implementation. These efforts began in FY 2000 and will continue into FY 2008. On October 16, 2006, UFMS successfully went live for PSC and its customer OPDIVs, except for IHS. The implementation for IHS is scheduled for October 2007. PSC is now in the post go-live stabilization phase and is continuing its efforts to make UFMS a success for the Department by acclimating employees and customers to using UFMS and addressing technical issues that arise.

In addition to UFMS developmental activities, FMS provided Operations and Maintenance (O&M) support for UFMS to the Centers for Disease Control and Prevention (CDC) and the Food and Drug Administration (FDA) in FY 2006. Both of

these HHS OPDIVs began using UFMS in FY 2005. The services provided for O&M support include post deployment support and ongoing business and technical operations services. Beginning with FY 2007, PSC provides O&M support to its customer agencies.

With the efforts of the PSC and its recent implementation of UFMS, the Department is getting closer to its goal of a consolidated financial management system for all of HHS. Once this goal is realized, HHS will produce timely, accurate, and useful financial information to support operating, budget, and policy decisions using UFMS for all OPDIVs with the exception of the Centers for Medicare and Medicaid Services (CMS). This is in alignment with the Department-wide goal and PMA objective of improving financial management practices.

Annual Audit of Financial Statements – During the past year, FMS worked to ensure that PSC would be successful in the annual audit process and dedicated resources to tasks required in order to achieve an unqualified audit opinion. In addition, resources were directed at addressing and resolving prior findings and conditions, as well as immediately taking action on those items that were discovered and/or reported in the current year’s review. FMS audit liaison staff continue to analyze and improve estimation techniques and correct CORE accounting transactions to reduce the number of adjustments made for financial statement reporting. As a result of these efforts, PSC continues to meet the required financial statement reporting deadlines as well as play a significant part in the achievement of an unqualified opinion for HHS.

A-123 Implementation – FMS has led the PSC’s implementation efforts to meet the requirements of OMB Circular A-123, Appendix A which directs management to conduct an assessment of internal controls over financial reporting. As the shared services provider for the HHS, PSC conducted its A-123 assessment to provide an assurance statement over the effectiveness of its internal controls as they relate to the services PSC provides and as an operating component of HHS. For the assessment, PSC’s management completed risk assessments, identified and documented key processes and controls, and tested these controls to determine their effectiveness over financial reporting. Through the leadership of FMS, PSC has met all schedule milestones for A-123 implementation.

Debt Collection – FMS has continued to serve the Department well in its role as a Department of Treasury designated Debt Collection Center, a role that it has fulfilled for over eight years. The performance for FY 2006 demonstrates that debt litigation referrals to the Department of Justice increased by approximately 11% and more than \$3.9 billion in Department debt claims were referred to the Department of Treasury’s cross-servicing operation.

In FY 2006, the Debt Collection Center collected over \$1.5 billion through administrative offset for delinquent child support. The collections were disbursed to participating States for monies owed to children and families for back child support.

Through its performance, the Debt Collection Center collected in excess of \$9 million in fees generated from the collections it made in FY 2006. To the extent provided by law,

these fees were used to offset the costs charged to customers during the year, thus creating a significant cost savings for customers.

Payments – During the past year, FMS continued its strong track record for improved financial performance related to timely payments in response to the Prompt Payment Act. The Division of Financial Operations has consistently exceeded OMB’s 95% target of on-time payments. For FY 2006, over \$2.7 billion in commercial-type payments were processed with an on-time payment rate of 99.6%. Additionally, in FY 2006, the Division of Payment Management processed over 390,000 grant and grant-type payments totaling in excess of \$320 billion.

For FY 2006, FMS has engaged in recovery auditing activities for purchase order/contract payments made in FY 2004 and FY 2005 by the PSC accounting operation. The recovery auditing contractor reviewed over 220,000 payment transactions with a dollar value in excess of \$4.8 billion. FMS is working with the recovery auditing contractor to review their findings. Final results are anticipated by March 2007. FMS continues to play a lead role in the Department’s recovery auditing program. This includes working closely with the recovery auditing contractor in their work at the other HHS payment centers and handling various administrative matters related to the contract.

Cost Allocation – For FY 2006, the Division of Cost Allocation completed over 2,500 facility and administrative (indirect) cost rate and cost allocation plan negotiations with grantee institutions where HHS is designated as the cognizant Federal Agency by OMB. The negotiations as of September 30th have resulted in \$535 million of cost avoidance and over \$66 million in cash refunds for the Federal Government.

Federal Occupational Health Service

Authorizing Legislation - 42 USC 231

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Expenses	\$223,127,000	\$141,352,000	\$144,980,000
FTE	86	82	80

FY 2008 Authorization.....Indefinite

Statement of the Budget Request

The estimated FY 2008 budget for the Federal Occupational Health Service is \$144,980,000, to provide occupational health services to Federal employees as described below.

Program Description

The Federal Occupational Health Service (FOHS) provides comprehensive, high-quality, customer-focused occupational health services in strategic partnership with Federal Agencies nation-wide. The mission of FOHS is to improve the health and safety of the government workforce by designing and providing innovative, customized, cost-effective occupational, environmental health and work/life solutions that exceed customer expectations. FOHS programs provide strategic prevention and early intervention services to employees and Federal Agency employers, thereby providing economies in both financial and human costs.

FOHS currently provides services to 45 Federal Departments and Agencies and serves over 800,000 Federal employees. The services provided by FOHS include health and wellness programs, employee assistance, work/life, and environmental health and safety services. FOHS provides occupational health services via three divisions: the Division of Health and Clinical Services provides a variety of clinical services; the Division of Employee Assistance Program Services provides behavioral health services; and the Division of Environmental Health Services provides environmental health and industrial hygiene services.

The services that FOHS provides include consultations to agency management, program design to meet customer needs, service provider selection, direct provision of services, and program oversight and evaluation. FOHS provides services in cities and towns all across the country including some of the most remote corners of the United States. The support and services FOHS provides enables agencies to promote health, wellness, physical fitness, and productive, safe work environments for their employees, as well as maintain compliance with OSHA and other federally mandated standards.

Health and Clinical Services

The Division of Health and Clinical Services provides occupational health and clinical services to employees and consultations to management under two different types of interagency agreements. A basic package of standardized services is offered that includes walk-in care, emergency response, and preventive screenings at permanent Occupational Health Centers. In addition, specialized or customized clinical services are offered that help agency managers meet their specific occupational health responsibilities arising out of legislative and regulatory requirements or agency initiatives.

Basic Occupational Health Center Services (BOHCS) include but are not limited to:

- On-site clinical care, referrals and follow-up.
- First aid and emergency response.
- Routine immunizations for flu, tetanus and pneumonia.
- Services prescribed by a personal physician such as bed rest, blood pressure and glucose monitoring, and allergen or hormone injections.
- Health and wellness education programs - group sessions and individual education on topics such as smoking cessation, nutrition, and stress reduction.
- Online health promotion information including Health Risk Appraisals.
- Confidential maintenance of employees' occupational health records in accordance with the Privacy Act.

Specialized clinical services include but are not limited to:

- Medical surveillance services for the assessment of exposure of groups of employees to health hazards such as toxic substances, noise, lead and asbestos.
- Database management of individual and aggregate test results.
- Medical clearance examinations including pre-placement and periodic fitness-for-duty examinations, including those associated with protective equipment, such as respirator use.
- Consultations with management on occupational health issues, program development and assessment.
- Medical opinions on reasonable accommodations requests filed under the Americans with Disabilities Act and Family and Medical Leave Act.
- Injury prevention and disability management services.
- Education and training on various topics including general health and wellness, Tuberculosis, Bloodborne Pathogens, and hearing conservation.
- Wellness/fitness program development, Fitness Center design, staffing, management, and individual fitness assessments.
- Other preventive health services such as periodic health evaluations, individual and corporate health-risk appraisals.
- Development, implementation and management of on-site Automated External Defibrillator Programs including requisite training, physician oversight and quality assurance.

- Self-directed or group smoking cessation programs with availability of nicotine replacement therapy (nicotine gum and patches).
- Federal Law Enforcement Medical Programs consisting of:
 - Development of medical standards based on agency-specific job task analyses unique to law enforcement officers.
 - Pre-placement and periodic medical examinations.
 - Medical review of physical examinations to determine whether applicants or incumbents satisfy the functional requirements of their positions.
 - Fitness-for-duty medical evaluations.
 - Expert witness testimony.
 - Medical consultations on worker's compensation, return-to-work, and reasonable accommodation issues.
 - Medical information/data management and trend analysis for law enforcement agencies.

Environmental Health

The Division of Environmental Health Services offers a wide range of industrial hygiene, environmental health, safety, and engineering services. This includes the provision of project design, evaluation, management, oversight services as well as project labor for a wide range of services including but not limited to:

- Industrial hygiene surveys and evaluations involving chemical, physical or biological agents and exposures.
- Environmental health evaluations and site surveys.
- National Environmental Protection Act (NEPA) assessments.
- Lead and asbestos inspections and assessments.
- Hazardous materials evaluations.
- Specialized facility assessments for compliance with federal/state/local laws and regulations.
- Worksite safety and health evaluations for worker and visitor protection and for OSHA regulatory compliance, workers compensation issues and incident investigations.
- Indoor air quality studies and solutions.
- Sanitation and food service evaluations.
- Ventilation and engineering evaluations, assessments and recommendations;
- Building microbial and mold assessments, evaluations, quality laboratory analyses and control.
- Training including courses in:
 - Bloodborne pathogen exposure and protection;
 - Hazard communication and materials;
 - Laboratory standards;
 - Safety engineering;
 - Ventilation;
 - Asbestos;
 - Lead;

- Respiratory protection; and
 - Personal protective equipment.
- Workplace and worker ergonomic assessments, evaluations, control and accommodation.
 - Consultations on safe worksite planning, hazard surveillance/analysis, risk assessment, hazard control, and workers compensation issues.
 - Occupational health and safety program management – planning, development, implementation, evaluation, and operational assistance.
 - Research and field evaluations related to environmental issues and conditions, sampling techniques and instrumentation for gases, particulate mists, vapors, etc.
 - Industrial hygiene and environmental laboratory analysis and services.

Employee Assistance Programs (EAP)

The Division of Employee Assistance Program Services offers services under a “consortium” program as well as providing unique or specialized EAP services to individual client agencies.

EAP services include but are not limited to:

- Clinical assessment of employee emotional, substance abuse, workplace or situational problems that may interfere with job performance.
- 24 hour a day/ 7 day a week telephone access to professional consultation for managers and clients.
- Short-term problem resolution in 3, 4 or 6-session models.
- Referral to community resources when longer-term treatment is necessary.
- Crisis counseling - 24 hours a day.
- Critical incident stress management and intervention.
- Supervisory training, employee orientation and union briefings.
- Health and wellness promotions and presentations, including employee and management newsletters.
- Consultations with supervisors regarding employee services and behavioral health issues which may be affecting workplace performance and productivity.
- Website-based dependent care resources.
- Web-based services including: self-screenings, personal plan development, information about a wide range of topics, and links to government and other reputable websites.
- International services for Federal employees overseas.
- Legal and financial services, including identity theft services and protection.
- An online, interactive substance usage education and prevention program as well as online seminars and health and wellness presentations.
- Specialized services to agencies with law enforcement functions.
- Pre- and post-deployment educational resources.

Other Behavioral Health Specialized Services include:

- A full range of Work/Life resource and referral services, including child and elder care resources, education, relocation, career and retirement planning, legal and financial counseling – helping employees better manage their work and personal lives and resulting in increased productivity.
- Management consultation, work environment assessment, recommendations to resolve organizational problems, training, team building, and other organizational interventions to help employees function effectively as a work group.
- Consultation on violence in the workplace to help agencies develop effective policies and train employees to implement proper procedures.
- Alternative Dispute Resolution Services help agencies develop effective policies and provide qualified neutrals to facilitate resolution of issues through mediation and other means.
- Drug Free Workplace and Department of Transportation substance abuse assessment, consultation, monitoring, and follow-up.
- Consultation and training regarding readiness for terrorist acts and natural disasters.

Rationale for the Budget Request

The FY 2008 expenses for the Federal Occupational Health Service are estimated at \$144,980,000, a net increase of \$3,628,000 from FY 2007 based on \$3,200,000 for anticipated new business, \$256,000 for pay increases, \$81,000 for rent increase and \$91,000 for miscellaneous increases. It is anticipated that health and clinical services provided to the Federal Emergency Management Agency and Department of Veteran Affairs will increase.

FOHS Performance Analysis

In FY 2006, FOHS supported disaster relief efforts of the Federal Government, provided services that support strategic management of the Federal workforce, implemented new technology to become more efficient and effective in its service delivery, and utilized strategic sourcing options to control costs.

Hurricane Katrina - FOHS provided critical occupational and environmental health support to the Federal Agencies that were tasked with the national response and recovery efforts for areas of the United States that were affected by Hurricane Katrina. During the hurricane season of FY 2005, FOHS was tasked by the Federal Emergency Management Agency, Customs and Border Protection, Environmental Protection Agency, Federal Bureau of Investigation, US Army Corps of Engineers, and US Postal Service for occupational and environmental health support. FOHS established temporary medical health units that provided immunizations, bed rest, sick visits, wound care, and emergency response care. In addition, it provided over the counter medications to treat and return responders back to duty and provided prescription medication for areas without adequate medical capabilities. From September 2005 through July 2006, the

temporary medical health units logged approximately 50,000 visits to the 30 clinics located in 6 different states. The immunizations provided during this time include 27,000 Influenza, 12,000 Tetanus, 13,000 Hepatitis A, and 3,500 Hepatitis B. FOHS also staffed stress management counselors at most major response areas or made them available through outreach counseling or 1-800 services to responders in remote or limited population areas.

In addition to the increased clinical and mental health requirements in the area, environmental health resources were either taxed or unavailable due to logistical difficulties associated with travel in the affected areas. In areas where additional environmental health support was needed, FOHS provided food safety, hazard identification, and temporary camp and housing suitability services for Federal responders. There were 21 FOHS environmental health professionals detailed to Federal response sites in Mississippi, Louisiana, and Texas with over 6000 hours logged in support of response and recovery efforts.

Human Capital Management – The Federal workforce of today is required to do more with fewer employees. As a result, there is a need for workplace services to enhance productivity of the workforce. FOHS fulfills this need by providing consultation to managers and direct occupational health services for approximately 800,000 Federal civilian employees. Through its EAP, Alternative Dispute Resolution (ADR) and Medical Employability (ME) Programs, FOHS provides employees and management with resources that help them in very personal and global ways. During FY 2006, FOHS assisted over 70 customer agency Human Resource and Employee/Labor Relations Offices with more than 3,000 medical leave and reasonable accommodation determinations. Through the ADR Program, FOHS assisted customer agencies by providing mediation services for approximately 900 cases of employment related disputes. In performing EAP services, FOHS provided 40,646 1:1 counseling services, 551 supervisor training sessions, and 1686 employee orientations. These combined services have assisted agencies throughout the Federal sector to manage their human capital more effectively.

Expand Electronic Government - In FY 2006, FOHS implemented the web based Services Tracking and Management (STM) system. STM streamlines and simplifies administrative management of interagency agreements for delivery of services for customer organizations. It provides a user friendly way of developing interagency agreements, adding additional services and expanding agreements across customer agencies, tracking service delivery, and facilitating accurate and timely billing for services. Since STM provides customers web access to agreement activity reports, FOHS has eliminated the mailing of approximately 1,700 paper reports each month which results in a cost saving of approximately \$17,000 annually. STM has allowed FOHS to consolidate over 500 agreements, thus streamlining processes and reducing the resources required to manage these accounts. This is an ongoing process and total cost savings will not be realized until next fiscal year. In addition, STM provides potential for greater customer satisfaction through the use of the web based Customer Portal enabling convenient access to account activity reports with increased detail tailored to meet their

needs and viewed at their convenience. With the implementation of STM, FOHS is positioned with the flexibility it needs to adopt new business, ensure that business processes are consistent across the organization, improve access to management information, provide customers with a consolidated view of the work performed for them, provide billing and activity reports that are web accessible and accurate, and enable the FOHS to work more efficiently.

Strategic Sourcing for Cost Control - FOHS piloted the Department's Strategic Sourcing Blanket Purchase Agreement (BPA) for medical professional staffing in the DC Metropolitan area. While initial implementation was slow, progress is now underway. If this effort is successful, FOHS plans to use the BPA for 2 other medical professional staffing contracts. As a result of consolidating multiple contracts into this mechanism, over time FOHS expects a reduction in management costs as well as the potential to decrease indirect contract support costs by three to five percent.

Human Resources Service

Authorizing Legislation – 42 USC 231

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Expenses	\$52,889,000	\$62,045,000	\$63,570,000
FTE	180	182	184

FY 2008 Authorization – Indefinite

Statement of the Budget Request

The estimated FY 2008 budget for the Human Resources Service is \$63,570,000, to provide HR services as described below.

Program Description

The Human Resources Service (HRS) provides an extensive array of human resource system and reporting enterprises (including administration and management) for the HHS civilian employees and Commissioned Corps officers. The mission of HRS is to provide high quality human resource support services at competitive prices to a multi-customer base of HHS components and other Federal agencies. These services include automated personnel and time and attendance systems support, equal employment opportunity services, and compensation and medical benefits support services for active duty and retired Commissioned Corps officers. HRS also serves as the liaison between the Department’s payroll service provider and HHS employees. Within HRS is the HHS University, which provides employee development programs and training for Federal employees.

Enterprise Applications Division

HRS provides all HHS OPDIVs and STAFFDIVs with personnel and time and attendance systems support. To accomplish this mission, the HRS Enterprise Applications Division manages and maintains the Department-wide personnel system, PeopleSoft, which integrates with the payroll system provided by the Defense Finance and Accounting System (DFAS). The HHS Departmental payroll system was transitioned to DFAS on April 17, 2005. The Enterprise Applications Division maintains numerous inbound and outbound interfaces from HHS personnel and time and attendance systems to DFAS.

The Enterprise Applications Division provides the Commissioned Corps of the U.S. Public Health Service with complete computer applications support for its automated personnel, payroll, and management information systems. This includes systems analysis, design and development, modification and maintenance; the production of official personnel orders, recurring and special onetime reports, and payroll data including check

and bond transactions; and the operation of an in-house data processing facility to support these functions. It also runs the monthly Commissioned Corps Payroll for approximately 11,000 Active-Duty Officers, Retirees, and Annuitants. These services are provided in addition to the services provided by the Office of Commissioned Corps Force Management, a component of the Office of the Secretary, Service and Supply Fund.

Payroll Services Division

The Payroll Services Division administers the departmental payroll processes in support of, and as a liaison for, the Defense Finance and Accounting Service (DFAS). This division manages payroll-related service requests; performs payroll customer service management, manages compliance, reporting, and policy changes to payroll processing; performs audits on personnel actions affecting payroll; and processes payroll actions relative to separated employees, including retirement and other separation actions, which are forwarded to the Office of Personnel Management (OPM) upon completion. In addition, the Payroll Services Division provides direction, technical assistance, standard operating procedures, and documentation to HR personnel and other persons who use outputs from the HHS personnel and DFAS payroll systems. It also provides required information and works with the PSC and other Departmental staff to resolve audit-related issues and findings.

Commissioned Corps Support Services

The Office of Commissioned Corps Support Services (OCCSS) provides an administrative infrastructure for the U.S. Public Health Service by performing all pay systems administration activities for Commissioned Corps officers, both active and retired; administers the Commissioned Corps retirement program and survivors' assistance program; and provides administrative management and direction relating to medical matters affecting Commissioned Corps officers, retirees, and their family members. These services are provided in addition to the services provided by the Office of Commissioned Corps Force Management, a component of the Office of the Secretary, Service and Supply Fund.

Equal Employment Opportunity

The Division of Equal Employment Opportunity (EEO) provides administrative EEO services to PSC, AHRQ, and SAMHSA. In this role, EEO encourages and assists its customers in voluntarily taking affirmative steps towards achieving the Federal goal of having a fully representative work force which includes members of all ethnic groups, including persons with disabilities. It administers the special emphasis/diversity programs to accommodate the special needs of particular groups and to foster a working environment in which employees treat each other with respect and dignity and value the differences in backgrounds that each employee brings to the workplace. EEO administers the discrimination complaints program which seeks to identify and eliminate discriminatory policies and practices from within the workforce based on race, national origin, color, sex, age, religion, disability, sexual orientation and/or reprisal, and provides

for the prompt, fair and impartial processing of discrimination complaints. EEO operates an alternative dispute resolution (ADR) program in order to resolve complaints of discrimination at the earliest possible stage and administers an EEO investigation program for HHS to provide EEO complaint investigations on a timely and impartial basis.

HHS University

The HHS University (HHSU) supports the Department's mission and goals by providing high-quality, cost-effective continued learning and development opportunities. HHSU employs innovative approaches and emerging learning technologies, including on-line training courses. It develops and delivers competency-based common needs training and programs to all HHS employees. It supports HHS' change management activities by fostering a continuing learning culture and development of a flexible workforce. HHSU's focus is to achieve cost efficiencies and economies of scale in the delivery of training and development services.

HHSU manages the Department's Learning Management System (LMS). Available to all HHS employees, LMS provides one-stop access to training, and allows tracking and reporting of training activities at any level within the Department. LMS also makes tools available to assist the Department with Human Capital Management initiatives, such as talent management, succession planning, and knowledge and content management.

Rationale for the Budget Request

The FY 2008 expenses for the Human Resources Service are estimated at \$63,570,000, a net increase of \$1,525,000 from FY 2007 based \$1,000,000 for EHRP system enhancements, \$580,000 for pay increases, \$58,000 for rent increases and \$113,000 for miscellaneous decreases.

HRS Performance Analysis

In FY 2006, HRS contributed significantly to achieve the strategic goals and objectives for both PSC and HHS as a whole. The following are highlights of the accomplishments and initiatives undertaken in this year.

Payroll Conversion – As the Department's liaison with the Defense Finance and Accounting Service (DFAS) for payroll processing, HRS is involved in post payroll conversion activities. The Payroll Services Division established regular and on-going communications both internally and externally to discuss issues, report progress on pending actions and keep informed on process changes.

In FY 2006, the Payroll Services Division began processing all VLTP requests directly into DFAS saving the employee ten days processing time under the DFAS procedures. As a result, employees now have their VLTP available within the same pay period it was donated.

As a result of the payroll conversion in FY 2005 and to prepare for an upcoming A-76 competitive sourcing plan, HRS reorganized the Payroll Service Division from four teams to three. This resulted in the elimination of two positions, a GS-12 and GS-14. As a result of streamlining personnel, a cost savings was achieved without negatively impacting customer service.

Enterprise Support - In FY 2006, HRS successfully implemented the new pay and legislation changes in a timely manner including the new SES pay change requirements, the FY 2006 pay raise, and new rules for performance systems, physicians comparability, and recruitment and retention initiatives. Updates were made to the EHRP system (also known as the Capital HR system) to allow new incentives to be entered as a lump sum, bi-weekly payment, or installment. In addition, the personnel daily interface was updated to ensure that incentives will pass from EHRP to DFAS correctly.

In June 2006, the Enterprise Application Division successfully implemented the Most Efficient Organization (MEO), which was the outcome of the A-76 Competitive Sourcing study in 2005. Over 100 positions were studied including contractors. As part of the successful bid for this A-76 initiative, HRS briefed all employees on the proposal; successfully negotiated an MOU with NTEU on the transition process; convened a Transition Team and completed key management selections; and developed a successful request to OPM for VSIP authority for up to 118 buyouts.

Enterprise Support for Commissioned Corps Support Services – The Commissioned Corps Payroll and Personnel system is currently being transitioned from a legacy WANG platform to a Web based Payroll and Personnel system called CCPAYROLL. Two major milestones have been met this year. The first milestone was achieved in January 2006 when the Retirees, Annuitants and Former Spouse populations (5,650 members) went live on the new system. The new system provides instant feedback to the transactions as they are entered. Transactions that are in error can easily be backed out and corrected, as compared to the legacy WANG system where it is necessary to wait for the nightly batch update and processing to complete before being able to view the results of each transaction. The second milestone was achieved in July 2006 when self-service capabilities were added to the new system thus allowing the Retirees, Annuitants and Former Spouse populations to view and print their Earning Statements as well as their banking, tax, and demographic information. The next phase of self-servicing will allow for the updating of this information using the web interface. This will result in a faster turn-around of user payroll changes and elections. In addition, it will result in a manpower savings for PSC since the transactions will be entered by users instead of technicians. For the first year, the projected manpower savings is estimated to be a quarter of a GS-6, Step 5 FTE which is the equivalent of \$12,000. This is projected to be an incremental savings which will increase as more members start to use the self-service capabilities.

The next milestone to be achieved is the transition of the active duty population (approximately 6000 officers) to CCPAYROLL. This milestone is scheduled to take

place in the first calendar quarter of 2007, including online access to Earnings Statements. This will result in a cost savings of nearly \$45,000 per year for the PSC since the Active Duty Earnings Statements will no longer need to be mailed to the Commissioned Corps officers.

Commissioned Corps Support Services – The Office of Commissioned Corps Support Services, Medical Affairs Branch revised staffing models and instituted better business practices to eliminate dependency on costly contract support, leading to an annual cost savings of more than \$250,000; audited and processed approximately \$50M in Federal bills issued for healthcare services provided to the Commissioned Corps officers during calendar year 2006, meeting or exceeding all timeliness expectations pertaining to the payment process; and lastly, monitored and audited approximately \$2.5M in payments issued by United Concordia, reimbursing agencies for dental care provided to active duty Public Health Service officers during the same calendar year.

The Office of Commissioned Corps Support Services, Compensation Branch collaborated with the Department of Defense in the implementation of an Open Season for the Survivor Benefit Plan (SBP) and the development of new medical/dental special pay rates for FY 2007, the first two steps in the phased elimination of the Social Security Offset reduction for SBP annuitants age 62 or older. In addition, they collaborated on the distribution of retroactive increases in Death Gratuity payments to survivors of officers that died while on active duty.

The Compensation Branch won the A-76 competition, authorizing the filling of one vacant position and the hiring of one additional employee during the implementation of the Most Efficient Organization (MEO); coordinated with the Department of Labor for PHS Participation in issues involving Unemployment Compensation for Ex-Service members, to accelerate responsiveness to former officers; and finally coordinated with the Office of Commissioned Corps Force Management and the Office of Commissioned Corps Operations to define Isolated Hardship Site Designations that will enhance recruitment and retention at these duty locations.

Equal Employment Opportunity – To support the efforts to diversify the Federal workforce, the Division of Equal Employment Opportunity (EEO) revised the Special Appointment Authorities Handbook. This updated guidance was distributed to managers in the PSC, AHRQ, and SAMHSA and provides managers additional methods for recruiting in hard to fill position with under represented populations.

To improve the timeliness of service delivery and maintain the privacy of employees, EEO established an electronic mailbox where employees may communicate with the office in order to obtain information about the EEO programs and ask questions or present inquiries or concerns to an EEO staff person.

To promote diversity among PSC's workforce, EEO took on several initiatives to recruit Hispanic individuals. It participated in a job fair in Miami, Florida sponsored by Latinos for Hire. Through its outreach program, EEO visited three institutions of higher learning,

University of Miami, Barry University and Florida International University, to meet with career counselors, internship coordinators, and students interested in Federal employment.

HHS University – HHSU continues to actively participate in the requirements for the HHS Strategic Human Capital Plan through the management and implementation of the Mentoring, Emerging Leaders, and Senior Executive Service candidate development programs. It is currently developing a cadre of adjunct instructors and trainers to aid in the development and delivery of our courses. Adjunct faculty are an important part of the HHS talent management strategy as it helps the Department move toward harnessing knowledge management and transfer capabilities. In addition, HHSU has established distance learning and blended learning models. The Department's OPDIVs and STAFFDIVs have received training in acquisitions, customer service, the No Fear Act, and Microsoft Office computer clinics and labs.

Strategic Acquisition Service

Authorizing Legislation - 42 USC 231

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Expenses	\$67,922,000	\$79,180,000	\$89,530,000
FTE	99	107	111

FY 2008 Authorization.....Indefinite

Statement of Budget Request

The estimated FY 2008 budget for the Strategic Acquisition Service is \$89,530,000 to provide strategic acquisition services as described below.

Program Description

The Strategic Acquisition Service (SAS) is responsible for providing leadership, guidance, and supervision to the procurement operations of the PSC and for improving procurement operations within HHS. It provides strategic sourcing services; acquisition management services; and pharmaceutical, medical, and dental supplies to HHS and other Federal agencies. SAS streamlines procurement operations in HHS through activities such as the reduction of duplicate contracts, the use of consolidated contracts, and implementation of new procurement practices designed to provide higher quality procurement services at reduced cost.

Strategic Sourcing

The Strategic Sourcing Division is responsible for the Department-wide initiative to consolidate purchasing of expendable commodities and commodity-like services. This includes conducting spend analysis to support acquisition decisions, implementing change management processes to empower the acquisition community, and investigating and implementing innovative government and industry procurement practices within the HHS acquisition environment. As part of the Department’s Acquisition Integration and Modernization (AIM) efforts, the Strategic Sourcing Division manages the Strategic Sourcing Contract Portfolio.

The portfolio includes HHS-wide Blanket Purchase Agreements (BPAs) to facilitate purchasing of the following commodities and services: Custodial Products, Events Management Services, IT Peripherals Hardware, Lab Supplies, Office Equipment, Office Furniture, Office Supplies, Temporary Administrative and Professional Staffing Services,

Temporary Professional and Medical Staffing Services, and a Document Management pilot.

Acquisition Management

The Division of Acquisition Management solicits, negotiates, awards and administers simplified acquisitions and complex contracts in such areas as health care and support services, evaluation design studies and analyses, conference management, technical assistance, information technology, professional services, labor services, computer/office machine repairs, real property leasing, renovations, and commercial products and services. These services are provided to HHS components nationwide, as well as to customers outside the Department. Highly trained, experienced, and specialized staff provide a wide array of acquisition and cost advisory services utilizing state-of-the-art technology.

Supply Service Center

PSC operates a full service medical supply depot located in Perry Point, Maryland. The HHS Supply Service Center is a national and international source of pharmaceutical, medical, and dental supplies for the healthcare facilities of HHS and other Federal civilian agencies. It provides a full-service supply, warehouse, and distribution center for pharmaceutical, medical, hospital supplies, and special program needs. In addition, the Supply Service Center offers logistical support worldwide, in concert with technical assistance and material management, to service the customer's requirements.

Registered by the Food and Drug Administration (FDA) as an authorized repackager/relabeler, the Supply Service Center provides customized pharmaceutical repackaging services. This includes provision of over 200 unit-of-use pharmaceutical prepacks of solid, oral dosage forms to a variety of Federal customers. These products are convenient, prescription-size, patient-ready units labeled for direct distribution to patients by health care providers. All packaging is accomplished using state-of-the-art equipment and experienced personnel supervise all facets of the packaging. The Supply Service Center follows standard industry and FDA-approved methods for receiving, sampling, testing, accepting, and repackaging all supplies.

The Supply Service Center offers a comprehensive program involving the repackaging, storage, and worldwide distribution of drug products being studied in a number of clinical drug trials. The program is primarily sponsored by the National Institutes of Health (NIH). Technical assistance, inventory management, and logistical support are provided to meet the packaging and distribution requirements of each clinical drug trial. Agreements with prospective research programs are executed in cooperation with NIH and other Federal Agencies in order to participate as the drug distribution center.

In addition, the Supply Service Center provides medical supply support for Presidential Initiatives, Foreign Assistance, Emergency Disaster Relief, and Department of Defense Programs. It procures pharmaceutical and medical products, equipment, and related

supplies which are assembled into kits for the support of the disaster response or special project teams.

SAS Performance Analysis

Strategic Sourcing – In FY 2006, SAS continued to strengthen the Department’s consolidation efforts through the Strategic Sourcing Contract Portfolio and assisted the Department in meeting its 85% usage target for strategic sourcing. During the year, 65 information sessions and three vendor fairs were coordinated, resulting in increased knowledge and usage of the portfolio across HHS. In addition, SAS developed a waiver database to formally document approved exceptions to using the strategic sourcing BPAs. The waiver process includes the requestor completing an on-line waiver form to formally document exceptions to using one of the strategic sourcing BPAs. The waiver form is approved within their OPDIV to streamline the approval process. This has resulted in enhanced tracking of spend data.

A comparison between FY 2005 and FY 2006 usage data indicates that HHS realized an 80% year-to-year increase in Strategic Sourcing Contract Portfolio usage, resulting in a greater leverage of spending. Furthermore, each HHS Operating Division met or exceeded its overall usage goal for a cost savings of \$11.4 million for FY 2006. The savings were determined by comparing the savings baseline that was developed when the BPAs were awarded to what was actually spent using the BPAs. These accomplishments were made possible by the promotion and use of the established strategic sourcing BPAs, diligent purchasing on the part of the HHS purchase card holders, and judicious use of the pre-defined waiver process.

In FY 2006, SAS also worked diligently to establish a sponsorship network within HHS that solicits leadership support of the strategic sourcing program, and to expand the Department’s Strategic Sourcing Contract Portfolio, most recently awarding additional BPAs in the office equipment and office furniture categories. In addition, on behalf of the Department, SAS joined the Federal Strategic Sourcing Initiative (FSSI), spearheaded by OMB and GSA to leverage spending and share best practices across the government. Specifically, the SAS participated on the domestic delivery services team that awarded a government-wide BPA to Federal Express in October 2006.

Through its performance efforts in FY 2006, SAS has enabled the Department to effectively purchase products and services by leveraging organizational needs and buying power, resulting in reduced pricing and total cost of ownership, improved service levels, and enhanced process efficiencies.

Acquisition Operations - In FY 2006, SAS strengthened its workforce with experienced personnel by capitalizing on HHS’ “Direct-Hire” authority for acquisition professionals through the recruitment and selection of key personnel. In addition, SAS invested in a partnership with the Department of Interior to sponsor three Government-wide Acquisition Management Interns with the intention of recruiting the interns after the two-year rotational internship ends.

During the past year, SAS continued to support emergency operations, in the aftermath of Hurricane Katrina, through partnerships with the Office of Public Health Emergency Preparedness and the vendor community. This effort resulted in positive feedback from Office of Inspector General audits on emergency contracting support efforts. In an effort to prepare for future emergency operations, SAS readied the acquisition workforce in FY 2006 through training and the establishment of contingency contracts.

In FY 2006, SAS awarded over \$900 million in contract obligations and passed back over \$26 million to customer agencies through effective competition and negotiation strategies. Of the contracting dollars awarded, over 46% were placed with small businesses. Through SAS's performance efforts, PSC exceeded the Department's goal of 30% for awarding procurement dollars to small businesses by 16%. SAS also contributed significantly to the Department's Strategic Sourcing goals by exceeding the 85% usage target for strategic sourcing BPAs thus achieving an estimated savings of over \$850,000.

Lastly, SAS invested in the Department's consolidated closeout contract and has closed 316 contracts. As a result of the closed contracts, over \$3.3 million has been de-obligated and over \$29,000 in refunds has been received.

Supply Service Center – In FY 2006, the Supply Service Center reported close to \$50 million in customer sales, providing the very best in customer service in terms of productivity, quality, and responsiveness at a reasonable cost. It continues to increase its number of customers and projects as well as renewing its partnerships from prior years.

The Supply Service Center continued to support the Hurricane Katrina disaster relief efforts through a portion of FY 2006, primarily through the shipment of pharmaceuticals and medical and surgical items, to include the supplies of critically needed vaccines.

To prepare for a national disaster response involving medical products supplied by the Federal government and to reinforce its role as a reliable and economical source of medical supplies, the Supply Service Center established a more formal and focused business relationship with two distinct business entities. It partnered with a pharmaceutical and medical/surgery product prime vendor to streamline the ordering and shipping process for the customer. The resulting partnership allows the customer to place all orders with the Supply Service Center. The Supply Service Center would ship items that are in-stock directly to the customer, and selected vendors would ship items either currently out of stock or not carried in the Supply Service Center's inventory directly to the customer. The Supply Service Center also established an agreement with the Health Industry Distributors Association (HIDA) that allows the Supply Service Center to be part of one of the largest group pricing organizations in the United States for medical and surgical products.

The Supply Service Center continued to be a major distributor of influenza vaccine for the Federal worker, the US Armed Services, and other populations served by various Federal agencies. In FY 2006, it packed and shipped close to 350,000 doses of vaccine in

insulated cartons, worldwide. The same amount is expected to be shipped in FY 2007. Additionally, due to extremely erratic shipping schedule of the vaccine by the manufacturer throughout the fall, it was tasked a number of times to adjust staffing levels and hours worked in order to meet critical program needs of the customer.

The Supply Service Center maintained its role as a critical provider of medical supply support to our nation's military during a critical period in our country's history, combating terrorism and supporting the Middle East war effort. It supported 18 military projects in FY 2006 valuing about \$3 million dollars. The specific projects that the Supply Service Center contributed to include the Army's Combat Support Hospital Program, the Army Surgeon General's Medical Nuclear, Biological and Chemical Defense Material, the Army's Medical Assemblage Program, and the US Navy.

Additionally, the Supply Service Center supported a number of medical supply assemblage programs throughout the Federal government, including the State Department, Peace Corps, Department of Homeland Security's Office of Emergency Response, Metropolitan Medical Response Systems, Office of Foreign Disaster Assistance, CDC, and the US Agency for International Development. It supported these programs not only through the development and supply of customized medical, dental and diagnostic kits, but also through the logistical and inventory support for re-supply and kit modifications.

In FY 2006, the Supply Service Center was awarded 2 additional clinical drug trials, adding to the 10 trials that were already being conducted. These 12 multi-year trials realized \$2.8 million in revenue in FY 2006. Based on current negotiations, it is anticipated that this business line will continue to grow in FY 2007.

The Supply Service Center is currently in negotiations with CDC in relation to the potential for its facility in Perry Point, Maryland to serve as a pre-position site under the Federal Medical Shelter Program. Each site for the program is stocked with beds, pharmaceutical and medical/surgical supplies and related items to set up a field hospital. A Federal Medical Shelter could serve 250 patients for up to three days. The business potential for the Supply Service Center not only involves storing a number of Federal Medical Shelter modules, but more importantly being the acquisition focal point for re-supply and configuration changes. Although budget dollars have not been attached to this project yet, potentially it could be the largest the Supply Service Center has undertaken in its history.

Rationale for the Budget Request

The FY 2008 expenses for the Strategic Acquisition Service are estimated at \$89,530,000, a net increase of \$10,350,000 from FY 2007 based on an increase of \$8,035,000 for HCAS, \$2,000,000 for anticipated new business, \$302,000 due to anticipated pay increases, \$22,000 for rent increases and \$9,000 for miscellaneous decreases. It is anticipated that the Supply Service Center will expand its role in future relief efforts.

Business Technology Optimization

Authorizing Legislation - 42 USC 231

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Expenses	\$1,229,000	\$419,000	\$424,000
FTE	0	0	0

FY 2008 Authorization Indefinite

Statement of Budget Request

The estimated FY 2008 budget for the Business Technology Optimization is \$424,000, to provide information technology consulting services as described below.

Program Description

The Office of Business Technology Optimization (BTO) is the focal point within the PSC for managing the activities required to maintain an information technology (IT) program and provides IT consulting services to customers. BTO's mission is to ensure strategic alignment of business processes with IT solutions and, using state-of-the-art change management techniques, implement business-focused IT initiatives.

BTO offers consulting services to identify, develop, and implement business and IT solutions that assist HHS components in maximizing return on IT investments and ensure IT solutions are supportive of strategic business goals. In addition, IT security consultation services are provided in the areas of certification and accreditation (C&A), IT security training, FISMA audits, security test and evaluation (ST&E), and IT Continuity of Operations (COOP) in compliance with Federal guidance.

Rationale for the Budget Request

The FY 2008 expenses for the Business Technology Optimization are estimated at \$424,000, a net increase of \$5,000 from FY 2007 due to anticipated pay increases of \$15,000, rent increases of \$1,000 and a miscellaneous decrease of \$11,000.

BTO Performance Analysis

FY 2006 is the first year that PSC has tracked timeliness of service delivery and customer satisfaction for BTO's IT consulting services. BTO has continued to meet its performance standards month after month.

The PSC IT Security Program assists the PSC and the OPDIVS within the Department with implementing Federal and Departmental policies mandated under the Secure One HHS Program. In accordance with the e-Government Act, 2003, (Public Law 107-347),

Title III, Federal Information Security Management Act, 2002 (FISMA) requires each agency to develop, document and implement an agency-wide information security program which focuses on certification and accreditation (C&A) activities. In FY 2006, IT Consulting Services were provided by PSC Chief Information Security Officer (CISO) and security team. This team is composed of both Federal and contractor security staff that provide expert technical security services and management oversight in order for various applications that are maintained by the Office of the Secretary, Assistant Secretary for Resources and Technology (ASRT), and Assistant Secretary for Administration and Management to achieve certification and accreditation and the Commissioned Corps. The following applications received C&A services: E-WITS, EODS, e-OPF, e-Induction, Quick Hire/Quick Class, iComplaints, UFMS and CCPayroll.

In addition to the IT consulting services, BTO has been instrumental in leading several E-Government initiatives on behalf of the PSC, such as E-OPF, E-WITS, and E-Travel. To consolidate management functions and streamline administrative operations, BTO is providing oversight for ASAM's participation in the Department's CIO consolidation goal.

Human Resources Centers

Authorizing Legislation - 42 USC 231

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Expenses	\$49,151,000	\$52,371,000	\$53,372,000
FTE	425	412	415

FY 2008 Authorization Indefinite

Statement of Budget Request

The estimated FY 2008 budget for the Human Resources Centers is \$53,372,000, to provide human resource center services as described below.

Program Description

Within the HHS, there are five Human Resources Centers (HR Centers). PSC oversees the financial aspects of three HR Centers that are located in Baltimore, Rockville, and Atlanta. A fourth HR Center is serviced by the National Institutes of Health (NIH) and is located in Bethesda. A fifth HR Center is serviced by the Indian Health Service (IHS) and is located in Rockville. The cost and FTE associated with the NIH and IHS sites are included in the respective OPDIV’s budget requests. All sites report to the Department’s Office of Human Resources for program and policy direction. These centers are responsible for providing high quality human resource services at competitive prices to a multi-customer base of HHS components and other customer agencies.

The HR Centers provide human resources strategic programs, customer service, and workforce relations support for HHS customer organizations. They serve as the principal advisor to the customer organizations’ leadership on matters related to human resources management, including strategic human capital planning, recruitment and placement, position classification and management, compensation and pay administration, executive resources, workforce planning, labor and employee relations, employee services, and employee benefits, entitlements and advisory services. HR Centers interpret regulations, directives, and other guidance related to human resources programs. In addition, they provide policy direction, coordination and operational control for human resources programs.

The HR Centers operate on a fee-for-service basis. Service Level Agreements between the HR Centers and customers ensure alignment of customer expectations and service delivery. In cooperation with their customers, the HR Centers have implemented human capital strategies that identify, recruit, hire and retain employees with the skill mix necessary to accomplish OPDIV missions. Automated hiring, job classification, and employee records management tools have been deployed.

Rationale for the Budget Request

The FY 2008 expenses for the Human Resources Centers are estimated at \$53,372,000, a net increase of \$1,001,000 from FY 2007 due to \$1,272,000 for anticipated pay increases, \$52,000 for rent increases and \$323,000 for miscellaneous decreases.

HRC Performance Analysis

To ensure delivery of consistently high quality customer service, the HR Centers operate under established performance measures and metrics. The HR Centers performance goals are aligned with the PSC strategic goals and support HHS Strategic Goal 8 to achieve excellence in management practices by improving strategic management of human capital.

During FY 2006, an increased use of direct hire authorities has yielded improved hiring timelines to approximately 30 days for certain positions. The HR Centers have also restructured and streamlined vacancy announcements, increased partnerships with colleges and universities, increased hiring of veterans, and continued to attract high performing employees through the HHS Emerging Leaders Program, Presidential Management Fellows Program, and the Federal Career Intern Program.

HHS developed a balanced scorecard to articulate the strategic direction for human resources by adopting four perspectives as a way of presenting strategic concerns: customer, stakeholder/financial, learning and growth, and HR employee professional development. These four perspectives comprise a performance-based strategy that allows HHS to meet its present needs while focusing on future goals. These perspectives have been incorporated into performance measures and initiatives for the HR Centers. The balanced scorecard is the foundation of the HHS Strategic Management System (SMS), i.e., a web based application that is used throughout the HR organization.

The following are specific accomplishments that the HR Centers achieved in FY 2006.

- Achieved a high level in hiring efficiency as reflected in hiring timeliness, aided by use of hiring flexibilities such as direct hire authority. Overall time to hire for GS positions was less than 35 days in the 4th Quarter of FY 2006, including 105 direct hires. An online customer service survey distributed to 5500 customers (with 481 respondents) indicated an 82% or greater overall customer satisfaction rating based on a four point scale (excellent, good, fair, poor).
- Continued to make progress in implementing a new HHS performance management system. Where implemented, all employees were assigned to new performance standards and plans. Along with other Federal Agencies, HHS established a beta-site where the "new" Performance Management Appraisal Program (PMAP) was monitored, evaluated and improved upon based on the OPM Performance Appraisal Assessment Tool (PAAT).

- The HHS Strategic Management System (accountability system) was enhanced to provide for more comprehensive analysis of key HR data to better assess human capital accountability and effectiveness. OHR developed a “Human Capital Accountability Implementation Plan” (HCAIP) in association with gaining OPM approval of its HC accountability system, and updated the “HHS Human Capital Strategic Management Plan.”
- Recruited fifth class of Emerging Leaders and participated in numerous recruitment events in support of hiring Hispanics, veterans, and other under-represented groups.
- Together with the Office of Human Resources, fully implemented the Enterprise Workflow Information System (eWITS), which includes tracking and reporting of personnel actions, and improves data integrity and accuracy by interfacing with other key automated HR systems.
- Made significant improvement in HR automation initiatives:
 1. Revamped HR’s presence on the HHS Intranet by expanding the scope and depth of information available to the workforce.
 2. Implemented iComplaints, a software package to track and report Equal Employment Opportunity complaint activity to standardize business processes throughout the Department.
 3. Pilot-tested use of the Department of Labor’s Safety and Health Information Tracking System (SHIMS) for use in processing Workers Compensation claims.
 4. Completed the full roll-out of e-OPF to all users and upgraded to an enhanced version (3.01).
 5. Completed several major EHRP (PeopleSoft) enhancements to improve system performance, integrated HHS Careers with USAJOBS by upgrading to QuickHire Xi with Applicant Integration.
 6. Implemented the Peregrine help desk software and developed a comprehensive 300 page Staffing Desk Reference Guide and Delegated Examining Guide.

Performance Detail

Effects of the Continuing Resolution on Performance Targets

Given the uncertainty of final FY 2007 appropriation levels at the time PSC developed the performance targets for the FY 2008 Congressional Justification, the FY 2007 targets were not modified to reflect differences between the President's Budget and the Continuing Resolution funding levels. Enacted funding may require modifications of the FY 2007 performance targets. Performance measures that may be affected significantly are footnoted throughout the Performance Detail section.

Summary of Targets and Results Table

FY	Total Targets	Results Reported		Targets			
		Number	%	Met	Not Met		%Met
					Total	Improved	
2003	21	18	86%	14	4	0	78%
2004	15	15	100%	12	3	1	80%
2005	10	9	90%	3	6	2	33%
2006	10	8	80%	5	3	0	63%
2007	10	--	--	--	--	--	--
2008	10	--	--	--	--	--	--

This table provides a summarization of the number of targets that PSC reports on under the Government Performance and Results Act (GPRA) and the progress it has made on meeting its targets.

By focusing on PSC-wide and outcome oriented goals, over the years PSC has reduced the overall number of its performance measures by 77 percent; from 44 measures in FY 2002 to 10 measures in FY 2005. The reduction in performance measures has allowed PSC to direct its resources to entity-wide outcomes. Using a logic model in its performance management approach, PSC has defined overall goals of improving quality and cost savings to the Department. These are crucial for PSC to successfully achieve its mission. To measure success, PSC tracks 10 performance measures for FY 2005 through FY 2008.

At this time, PSC has successfully met the targets for 5 of its 10 performance measures for FY 2006. Of the remaining 5 performance measures, 3 targets were not met and the results for 2 performance measures are not yet available. PSC exceeded the targets related to timeliness of service delivery, customer satisfaction, acquiring new customers, and increasing customer usage. In addition, PSC achieved its target for contributing to the Department's administrative reduction goals by maintaining its budgeted FTE count. The targets to maintain overhead costs, reduce intra-service costs, and achieve cost recovery were not met. The results for employee satisfaction and the annual financial audit are expected to be available in March 2007. While PSC did not achieve all its performance goals for the past fiscal year, overall it made significant progress.

Performance Analysis

This section provides details on PSC's performance as the provider of centralized, qualitative administrative support goods and services for HHS. PSC measures its progress and performance as an essential part of its strategic visioning and planning process.

The following pages provide performance tables that present performance measures, targets, and actual results for PSC. These tables are followed by a performance analysis to provide additional context for each measure.

PSC's Performance Goals

Long Term Goal: Improve Quality – Provide quality administrative support so that high performance can be maintained in HHS Program Services. Demonstrate an increase in percent of customers expressing overall satisfaction with services.			
Measure	FY	Target	Result
1. Achieve timeliness targets – percent of services achieving timeliness targets (outcome)	2008	95%	Oct-08
	2007	95%	Oct-07
	2006	95%	96%
	2005	100%	92%
	2004	Identify baseline ³	91%
	2003	--	--
2. Achieve customer satisfaction targets – percent of customers responding to PSC comment cards indicate excellent/good ratings for satisfaction of services (outcome)	2008	90%	Oct-08
	2007	90%	Oct-07
	2006	90%	95%
	2005	100%	87%
	2004	88%	88%
	2003	Identify baseline	86%
(Developmental Measure) Achieve timely billings – percent of cost centers processing billings to coincide with service delivery (outcome)	2008	95%	
	2007	Identify baseline	
Data Source:			
<u>Measure 1</u> - Data for timeliness performance is tracked through internal cost center systems on a monthly basis;			
<u>Measure 2</u> - Customer satisfaction data is obtained through an electronic survey which is available 24/7 for customer input. In addition, hard copy comment cards are collected from customers as an alternative data collection mechanism.			
<u>Developmental Measure</u> - Data will be obtained from the PSC Revenue, Invoicing, and Cost Estimation System (PRICES).			

³ Each of these measures was initially tracked in FY 2004 to establish a baseline. Data is not available for the measures prior to FY 2004 except in rare cases. When the data is available, it has been included in the performance tables.

Data Validation:

Measure 1 - Timeliness data for each cost center is submitted to the PSC Business Office and is randomly sampled and tested for data verification. The following data reflects the percent of products and services meeting timeliness targets by Service Area for FY 2006:

- Administrative Operations Service – 96%
- Financial Management Service – 98%
- Federal Occupational Health Service – 100%
- Human Resources Service – 98%
- Strategic Acquisition Service – 85%
- Business Technology Optimization – 100%

Measure 2 - Customer satisfaction data is collected each month. Customers are asked to complete surveys at the time of services rendered. In addition, the online survey is available through the PSC website and in the signature of PSC employee emails. Data is processed by the PSC Business Office and validated in conjunction with the Service Area Directors. In FY 2006, 1771 customers submitted surveys (an average of 148 per month). The following data reflects the percent of customers satisfied or very satisfied by Service Area:

- Administrative Operations Service – 95%
- Financial Management Service – 95%
- Federal Occupational Health Service – 93%
- Human Resources Service – 92%
- Strategic Acquisition Service – 98%
- Business Technology Optimization – 100%

Developmental Measure – Actual performance will be measured based on the monthly billing activity of cost centers.

Cross Reference: N/A

PSC has a long term goal of improving quality of service delivery so that HHS OPDIVs may receive superior service while maintaining focus on their mission-related programs. There are two important measures that indicate quality of service – timeliness and customer satisfaction.

Performance Measure 1:

Timely service and responsiveness are critical elements that determine a customer's level of satisfaction with PSC. It is essential that an organization place a continued focus on maintaining and improving timeliness in order to maintain and improve the customer's perceptions of their service provider. PSC seeks to provide timely, accurate and efficient products and services to all customers through simplified, streamlined processes and procedures and through employing best business practices.

PSC measures the timeliness of service delivery against the timeliness performance standards established for each product and service listed in our comprehensive Directory of Products and Services. The target for each timeliness standard is set to achieve maximum customer satisfaction for timely delivery of products and services. In most

cases, the timeliness targets are set at 95 to 100%. These standards exist in order to set expectations with the customer and to allow the customer to hold PSC accountable. For Performance Measure 1, PSC tracks performance data to determine the percentage of its products and services that are achieving their individual timeliness standards. While these standards will be rolled up to the highest PSC level for reporting purposes, each product or service line will be held responsible for meeting their goals. Individual product and service lines results will be analyzed monthly and reviewed for problem resolution and tracked for improvement.

In analyzing our prior years' performance, it became apparent that some product and service timeliness targets were too aggressive and could not be met when external forces which PSC could not control came in to play. For example, PSC experienced volume spikes in the areas of personnel security and acquisitions that were not anticipated. Since timeliness standards were already established for FY 2006, we monitored performance closely on a month to month basis to ensure optimum performance was achieved to meet our customers' needs. As a result of this effort, PSC exceeded the FY 2006 target for timeliness of service delivery.

For FY 2006, PSC tracked 117 individual timeliness standards for 61 products and services. The performance results demonstrate that PSC met timeliness standards 96% of the time, thus exceeding the target of 95%. In addition to exceeding the target for FY 2006, the results show a 4% increase over the prior year. Results at the Service Area level are shown on the prior page.

For FY 2007 and FY 2008, the target for Performance Measure 1 will remain constant at 95%. PSC will continue to analyze the targets established for each product and service to ensure that appropriate yet challenging targets are established. In addition, we will continue to evaluate ways to improve the affects of external forces on our business as well as to cost effectively plan to address these situations as they arise. With this approach, it is expected that PSC, as a whole, will be able to continue to achieve the timeliness standards at least 95% of the time in upcoming years.

Performance Measure 2:

The other factor in measuring quality is overall customer satisfaction. PSC has placed great emphasis on providing quality, value-added services to all customers through reengineered processes and procedures, management and employee attention to quality, and through employing best business practices. PSC will measure the perceived quality of its service delivery as the percentage of customers expressing overall satisfaction with the quality of services provided. When PSC's customers are satisfied with products and services they are receiving, it allows them to keep focus on their core mission. Additionally, it is important for PSC to track customer satisfaction because the higher the satisfaction ratings, the more likely customers are going to continue purchasing PSC products and services. This has an overall affect on price per service in that the total cost of the service is being spread over a larger customer base, thus reducing the price per

unit. It is clear that customer satisfaction has a direct relationship not only to quality, but also to price for customers.

The customer satisfaction measure defines quality as those customers who are highly satisfied with overall service. PSC encourages customers to complete an on-line survey upon delivery of products and services and makes the survey available on PSC's website. Survey responses are collected and analyzed on a monthly basis to arrive at the customer satisfaction rating. The monthly performance results are distributed to the cost center managers to resolve issues and to monitor the performance of their respective areas.

As a result of prior years' performance and in an effort to create an attainable yet challenging target, the FY 2006 target was set for 90% of customers to be satisfied with PSC services. For FY 2006, 1771 customers completed the PSC On-line Customer Survey with a resulting customer satisfaction rating of 95% based on a four point scale, thus exceeding its target of 90%. In addition, the customer satisfaction rating for each Service Area within PSC exceeded the 90% target. The following table displays the customer satisfaction results by Service Area.

Overall Satisfaction Ratings (# of Comments)	AOS	BTO	FMS	FOHS	HRS	SAS	PSC Overall
Very Satisfied	505	18	255	284	145	227	1434
Satisfied	34	5	42	115	30	15	241
Dissatisfied	13	0	8	15	4	2	42
Very Dissatisfied	15	0	8	15	12	4	54
Total	567	23	313	429	191	248	1771
Percentage of Customers Very Satisfied and Satisfied	95%	100%	95%	93%	92%	98%	95%

Despite the success achieved this past fiscal year, the FY 2007 and FY 2008 target will remain constant at 90% due to the potential for customer satisfaction fluctuations that may occur with existing or upcoming Departmental initiatives. As PSC recognizes consistent improvement in this measure, the targets will be revised to become more aggressive in future years. Meanwhile, in an effort to continually increase customer satisfaction, PSC will focus on providing employees with customer service training as well as following up with customers to resolve issues and improve customer relations. In FY 2007, PSC plans to implement a PSC-wide process to track and address dissatisfied customers to ensure timely resolution of issues and to improve customer service in the future.

Developmental Measure:

In an effort to improve the quality of PSC service delivery, PSC is establishing a new performance measure for FY 2008 that strives to achieve timely billings. As a fee-for-service organization, it is important for PSC to process its billings when services are rendered in order to collect revenue from its customers in a timely manner. This performance measure will be under development for FY 2007 in order to establish a baseline. A preliminary target is being established for FY 2008 to strive for 95% of cost centers to process billings to coincide with service delivery.

Long Term Goal: Improve Cost Savings to HHS by Expanding Market Share – Improve annual costs per service to our customers accomplished by increasing the number of customers to spread overhead and fixed costs across, resulting in price control/reductions, especially if expanded market share occurs to outside customer agencies. Maintain or increase size of customer base over time.

Measure	FY	Target	Result
3. Increase percentage of new customers acquired annually (outcome) ⁴	2008	2% increase over FY07	Oct-08
	2007	2% increase over FY06 (22 new customers)	Oct-07
	2006	2% increase over FY04 (18 new customers)	22% (194 new customers)
	2005	5% increase over FY03 baseline (40 new customers)	29.4% (234 new customers)
	2004	Identify baseline	10.7%
	2003	--	Baseline (796)
4. Increase percentage of existing customers obtaining new services (outcome) ⁵	2008	Eliminate Goal	--
	2007	2% increase over FY06	Oct-07
	2006	2% increase over FY05 (21 customers)	52% (539 customers)
	2005	5% increase over FY04 (44 customers)	3.6% (32 customers)
	2004	Identify baseline	3.8% (30 customers)
	2003	--	Baseline (796)

Data Source:

Measure 3 & 4 - PSC maintains service level agreements with customers that track a customer's purchasing behavior. In addition, data on the number of customers (established by billings) that the PSC support is maintained in the Customer Information section of the PSC Revenue, Invoicing, and Cost Estimation System (PRICES).

Data Validation:

Measure 3 & 4 - Actual performance will be measured by the increase in the number of customers billed through PRICES.

Cross Reference: N/A

⁴ The FY03 baseline was modified to include FOHS customers that have previously been excluded. As such all detailed targeted number of customers were changed. However, the targeted percentage increase remained the same.

⁵ The FY03 baseline was modified to include FOHS customers that have previously been excluded. As such all detailed targeted number of customers were changed. However, the targeted percentage increase remained the same. Actual results reported only reflect the customer base which excluded FOHS customers. The PSC may have met this target but data showing increase in usage by FOHS customers is not available and therefore PSC could only report on a subset of the total customer base. It expected that PSC will be able to track increase usage for all customers in FY06.

The PSC seeks to expand its portion of the Federal shared services market in order to establish itself as the leader in shared services, benefit from economies of scale, achieve operational efficiencies, foster standardization, and free customers to focus on their core mission. As the shared services center for HHS, it is essential that our prices be competitive and costs be controlled. Our customers face budget constraints so to best serve them with a full range of products and services, we strive to identify ways that costs can be reduced and prices can be maintained and/or reduced.

One method of controlling price increases is through obtaining new Federal customers, internal to the Department, but especially external to the Department. By doing this, the PSC can spread overhead costs to a greater number of work units; achieve economies of scale through volume buys, thus lowering the cost to customers. This is most effective when a great portion of the expanded market includes external customer agencies, which has a direct affect on HHS customer agencies (i.e. total cost to the Department can be reduced)⁶. As a result, we must monitor our customer's usage of services (in addition to managing costs, which is discussed in the next series of performance goals). There are two measures that allow us to track customer usage. The first is to track the number of new customers who are not currently purchasing any services from the PSC. The second is to track the number of existing customers who choose to purchase additional services.

Performance Measure 3:

For this measure, the FY 2006 target was established before baseline data was available. As a result, PSC established a target of 2% growth over the FY 2004 baseline for FY 2006. The results for FY 2006 demonstrate that PSC exceeded its target for Performance Measure 3 by achieving a growth rate of 22%. The results can be contributed to the addition of two CASUs to PSC in October 2006. With the addition of the two CASUs to PSC's portfolio of business lines, PSC expanded its customer base. As a result of the market expansion achieved in FY 2006, the number of external customers has grown which will result in the ability to decrease costs in future years.

Moving forward, PSC would like to see growth continue at this rate. However, it is unlikely that this can be sustained over time. For FY 2007 and FY 2008, PSC has set a target of maintaining growth for the number of new customers at a rate of 2% over the prior year.

Performance Measure 4:

The baseline data for this measure was not available when the FY 2006 target was established. As a result, PSC set a target of 2% growth over the FY 2005 baseline for FY 2006. The actual results for FY 2006 reflect that PSC exceeded the target for increased usage of services among current customers. The target was achieved as a result of the

⁶ While expanding the market is one component of the equation, the other component that has an overall affect on total HHS cost is actual cost of service delivery. It is only when market share AND total delivery costs are tracked that true savings to the Department can be determined. As a result, it is critical for PSC to measure both components in the equation.

addition of two CASUs as well as the offering of new products and services, such as Forms Management and Information Technology Consulting Services.

For FY 2007, PSC set a target to increase customer usage of services at a rate of 2% over the prior year. This measure is being dropped for FY 2008 as PSC does not believe it will significantly contribute to PSC's long term goal to improve cost savings. Looking forward, PSC will continue to strive to expand its services both inside and outside HHS to lower the overall unit price to customers. PSC recognizes that it can obtain economies of scale for its customers by spreading our overhead and fixed costs over a larger customer base and by fully utilizing any excess capacity through scalability. By expanding PSC's portion of the Federal shared services market, it can achieve its goal to improve cost savings for the Department.

Long Term Goal: Improve Cost Savings to HHS through Asset Management – Improve annual costs per service to PSC customers captured by percentages of costs decreased, maintained and/or increased, including fiscal and human capital management.			
Measure	FY	Target	Result
5a. Participate in Department-wide consolidations (outcome)	2008	1 consolidation	Oct-08
	2007	1 consolidation	Oct-07
	2006	--	--
	2005	--	--
	2004	--	--
	2003	--	--
5b. Contribute to the Department's administrative reduction goals as the designated shared services center (outcome)	2007	Eliminate goal	--
	2006	Maintain 15% reduction of FTEs	FTE level maintained
	2005	Maintain 15% reduction of FTEs	FTE level maintained
	2004	Identify baseline	963 FTEs
	2003	--	--
6. Maintain PSC overhead costs (outcome)	2008	Maintain PSC overhead rate at 1.6% or less	Oct-08
	2007	Maintain PSC overhead rate at 1.6% or less	Oct-07
	2006	Maintain PSC overhead rate at 1.3% or less	1.4%
	2005	10%	8%
	2004	Identify baseline	14%
	2003	--	--
7. Maintain revenue consumed by intra-service costs (outcome)	2008	Maintain % of intra-service cost incurred in FY 2006	Oct-08
	2007	Maintain reduction achieved in FY 2006	Oct-07
	2006	10%	\$23,618,208
	2005	17%	\$13,313,127 (Not Met)
	2004	Identify baseline	\$12,100,551
	2003	--	--
8. Achieve unqualified audit opinion for the PSC (outcome)	2008	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Dec-08
	2007	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Dec-07
	2006	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Mar-07

Long Term Goal: Improve Cost Savings to HHS through Asset Management – Improve annual costs per service to PSC customers captured by percentages of costs decreased, maintained and/or increased, including fiscal and human capital management.			
Measure	FY	Target	Result
	2005	Unqualified and no new	Unqualified audit opinion , 1 repeat MW, 1 RC down graded from 2004 MW, and 1 repeat RC
	2004	Identify baseline	Unqualified with 1 new MW, 1 repeat MW, and 1 repeat RC
	2003 ⁷	100% Unqualified	Unqualified
9. Achieve overall increase in employee satisfaction PSC-wide (outcome)	2008	75%	Nov-08
	2007	75%	Nov-07
	2006	75%	Mar-07
	2005	77%	Goal Not Measurable
	2004	--	68%
	2003	Identify baseline	75%
Data Source:			
<u>Measure 5a</u> - Data will be obtained from the PSC Business Office who has responsibility for tracking participation in Department-wide consolidation efforts;			
<u>Measure 5b</u> - Data will be obtained on the total estimated FTEs reported HHS-wide that were categorized as administrative in nature;			
<u>Measure 6</u> - Data will be obtained from the Fee-for-Service Spreadsheet (FFSS) module of the PRICES System from annual overhead cost estimates that were applied to direct costs during the annual rate setting process;			
<u>Measure 7</u> - Data will be obtained from the FFSS module of the PRICES System from annual intra-service cost estimates that were applied to direct costs during the annual rate setting process;			
<u>Measure 8</u> - Data will be obtained from the annual audit of financial statements;			
<u>Measure 9</u> - Data will be obtained from the results of the annual human capital survey, i.e., Human Resource Management Index (HRMI) survey, Federal Human Capital Survey, or some equivalent survey.			
Data Validation:			
<u>Measure 5a</u> - Actual results will be presented based on ASAM approval of consolidation efforts;			
<u>Measure 5b</u> - Actual reductions will be calculated as the total administrative FTEs over the prior year;			
<u>Measure 6</u> - Actual performance will be calculated as the total overhead costs allocated over the prior year;			
<u>Measure 7</u> - Actual performance will be calculated as the total intra-service costs allocated over the prior year;			
<u>Measure 8</u> - Actual results will be identified in the annual financial audit performed by independent auditors;			
<u>Measure 9</u> - Actual results will be based on the annual human capital survey.			
Cross Reference:			
HHS Strategic Goal 8, Achieve management excellence by supporting Departmental initiatives and improving financial performance and strategic management of human capital.			

⁷ In FY 2002 and FY 2003, PSC monitored audit results but not to the level of detail in more recent years.

Two critical factors that influence a customer's desire to purchase services from the PSC include quality of the service and price. PSC's first two goals address methods for monitoring quality and customer satisfaction.

The previous two goals focus on monitoring volume of services purchased, which directly correlates to the price PSC charges its customers. The remaining goals also address factors that influence price; however, this set of goals focuses on overall cost of delivering the products and services. If PSC costs can be maintained or reduced and the volume of services purchased remains steady or increases, there will be a positive result for the customer (i.e. prices remain the same or decrease).

Performance Measure 5a:

This performance measure has been established for FY 2007 to replace Performance Measure #5b which will retire after FY 2006 results are reported.

Instead of tracking reduction in administrative staff, PSC added a measure for FY 2007 to participate in at least one Department-wide consolidation which will address the overall Department goal of reducing administrative costs. If, by working with other agencies on consolidation initiatives, these other agencies cease providing duplicate administrative services offered by the PSC as the Department's shared services provider, overall savings should be seen across the Department. By contributing to Department-wide consolidations, PSC efforts will support the Department's goal of achieving excellence in management practices and result in a more efficient and cost effective federal agency.

For FY 2008, the target for this measure will remain the same as PSC will strive to participate in at least 1 Department-wide consolidation.

Performance Measure 5b:

This measure – "Contribute to the Department's administrative reduction goals as the designated shared services center" – no longer makes sense for the PSC and will retire after FY 2006 results are reported. While OPDIVs across the Department are looking for opportunities to reduce administrative costs and functions, the expectation is that the PSC will assume responsibility for many of these services as the primary shared services center for the Department. As a result, PSC may not realize actual staff and cost reductions, whereas the operating divisions will.

As the designated shared services center for the HHS, PSC set a goal to maintain the 15% reduction of FTEs in administrative services that was established as the baseline in FY 2004. The baseline established in FY 2004 was 963 FTEs. This baseline is the ceiling FTE for the PSC excluding the FTEs for Human Resources Centers that PSC oversees financially. For FY 2006, PSC strived to maintain staffing levels. The results indicate that PSC achieved its target for this performance measure.

Performance Measure 6:

PSC recognizes that it must be prudent in controlling overhead costs (those not involved directly in the performance of our products and services). To achieve this outcome, PSC originally established a performance measure to reduce the resources consumed by overhead to the extent possible while still maintaining required internal support functions. As a result of a 40% reductions in overhead costs achieved during FY 2002 and FY 2004 as well as the performance results for FY 2005, PSC realized it could no longer continue to aggressively reduce overhead costs. Therefore, for FY 2006 the goal of reducing overhead for this performance measure was changed to a maintenance goal.

For FY 2006, PSC established a target of maintaining an overhead rate of 1.3% or less. The results indicate that the PSC overhead rate for FY 2006 was 1.4%. Although PSC came close, the results demonstrate that PSC was not able to achieve its target for FY 2006. The target was not met for this performance measure because the costs increased as a result of PSC identifying and placing corporate costs where they appropriately belonged. In addition, costs increased as a result of full implementation of PSC's communication initiative.

For FY 2007 and FY 2008, PSC is targeting to maintain an overhead rate of 1.6% or less. This budgeted overhead rate has been increased slightly due to inclusion of FTE and contractual costs into overhead that were previously supplemented by the PSC Service Areas. In addition, the increase includes funds for upcoming business initiatives as well as increases related to oversight of competitive sourcing contracts.

Performance Measure 7:

Another factor that influences overall cost is the amount of intra-service costs (the cost of PSC services provided by one cost center to another). Intra-service costs result in higher rates to our customers with little value added to their mission while still a valid cost of doing business. As a result, PSC seeks to carefully manage and reduce resources consumed by intra-service support to the extent possible while still maintaining required support functions. Reductions might take the form of identification of intra-service support more appropriately charged to customers, reduction in non-essential requests between Divisions/Service Units, and education of managers on prudent use of PSC's products and services. The rationale behind this metric is to improve buying behavior and to also capture lost revenue when two PSC offices are charging each other but never continuing with the next step, that of charging the customer.

PSC placed great emphasis on tracking and managing intra-service costs in FY 2003 and FY 2004 and established a baseline in FY 2004. For FY 2005, PSC's intra-service costs increased over the prior year due to business growth. Thus, the target for FY 2005 was not met. For FY 2006, PSC targeted reducing intra-service costs by 10% over the prior year. The results for FY 2006 indicate that intra-service costs increased by 77% over the prior year, thus PSC did not achieve its target. While PSC focused on educating managers on prudent use of PSC products and services in an effort to control operational costs and

improve buying behavior, PSC realized early on that this target would be impossible to achieve as it continues to strive for business expansion. As a result, this measure was revised for FY 2007 to be a maintenance goal with a target of maintaining reductions in intra-service costs achieved in FY 2006. The target for FY 2008 is to maintain the percentage of intra-service costs incurred in FY 2006. PSC will continue to evaluate this measure to determine a target or related measure that is more appropriate for the future.

Performance Goal 8:

A key component in managing PSC's costs is to monitor its financial data and ensure that we meet financial reporting requirements. Achieving an unqualified audit opinion from independent auditors is a significant performance measure of how PSC implements management controls and maintains its financial records. Based on government-wide standards, PSC has adopted a measure that targets a clean, unqualified audit opinion.

The FY 2005 audit for the PSC has recently been finalized. As was reported previously, the audit report for FY 2005 indicates that PSC has received an unqualified audit opinion with one repeat material weakness (Financial Systems and Processes), one reportable condition (Internal Controls over Payroll) down graded from an FY 2004 material weakness, and one repeat reportable condition (Information Technology Access and Security Controls). PSC was able to improve the audit findings for FY 2005 due to better monitoring and increased internal controls by the Human Resources Service which resulted in reducing the material weakness to a reportable condition for Internal Controls over Payroll.

For FY 2006, FY 2007 and FY 2008, PSC has targeted for an unqualified audit opinion with no new material weaknesses and no new reportable conditions identified. In addition, PSC will track progress made in correcting any existing material weaknesses and reportable conditions. At this time, the FY 2006 financial audit is currently under way. PSC expects to have the FY 2006 results for this performance measure in March 2007.

On October 16, 2006, PSC implemented the Unified Financial Management System (UFMS). To prepare for this implementation, PSC worked aggressively this past year to ensure a smooth transition from the CORE financial system and developed contingency plans to address potential implementation delays. Upon stabilization of UFMS, the material weakness for Financial Systems and Processes should be resolved. This will contribute to PSC's pursuit to achieve an unqualified audit opinion and work towards correcting outstanding findings.

Performance Measure 9:

Studies have shown that there is a direct link between employee satisfaction, productivity, and customer satisfaction. As a result, it is essential that PSC monitor employee satisfaction levels because dips in satisfaction may result in lower levels of productivity, which then has a correlation to a potential increase in costs. PSC recognizes the importance of employee satisfaction with respect to the overall success of the organization.

To measure employee satisfaction levels, PSC relies on the results of the Department's annual human capital survey. PSC previously participated in the HHS-wide Human Resource Management Index (HRMI) Survey. For FY 2003, 546 PSC employees participated in the HRMI that resulted in an overall satisfaction rating of 75% (Neutral to Very Positive). For FY 2004, 302 PSC employees participated in the HRMI that resulted in an overall satisfaction rating of 68% (Neutral to Very Positive). For FY 2005, the HRMI survey was not conducted at any point during the FY 2005 and therefore, results are not available for reporting purposes.

For FY 2006, PSC set a target to achieve a 75% satisfaction rating. To measure achievement of this outcome, the PSC participated in the FY 2006 Federal Human Capital Survey that was conducted by the Office of Personnel Management. The results of this survey are expected to be available in March 2007 and will be used to report the employee overall satisfaction results for FY 2006.

Moving forward, PSC expects to continue to measure employee satisfaction as a critical component of its performance management program. The targets for FY 2007 and FY 2008 are set to achieve a 75% satisfaction rating. In the meantime, PSC is taking action to address satisfaction issues and work to improve human capital processes. Measuring employee satisfaction coincides with the President's Management Agenda initiative for Strategic Management of Human Capital. In addition to using human capital survey results to measure employee satisfaction, previously PSC conducted a workforce analysis to assess existing human capital processes. Surveys were conducted that identified human capital areas that PSC will focus on improving and strengthening over the next few years. As a result of the workforce analysis, PSC plans to improve human capital processes by focusing on human capital strategy, workforce planning and recruiting, learning management, career development, rewards and recognition, succession planning, and change management. In FY 2006, PSC implemented its Individual Development Planning Program to ensure that employees get the training and other developmental opportunities they need to advance in their careers and to meet the PSC's mission requirements. PSC also implemented the Employee Awards and Recognition Program as a means to ensure that PSC managers are aware of their role in rewarding high performance and motivating their employees as well as the tools that are available to support them. Lastly, PSC implemented its Succession Planning Program to ensure it is proactively planning for the loss of employees in mission critical positions. In the end, these efforts will assist the PSC in achieving higher levels of satisfaction across the organization and help it achieve the FY 2008 target.

Efficiency Measure	FY	Target	Result
10. Achieve target Net Operating Result (NOR). (outcome)	2008	90% of cost centers recover within an established variance	Oct-08
	2007	100%	Oct-07
	2006	100%	62%
	2005	90%	62%
	2004	Identify baseline	58%
	2003	--	--
Data Source: <u>Measure 10</u> - Data will be obtained from the Cost Recovery Reports from the PSC Revenue, Invoicing, and Cost Estimation System. These reports itemize the costs, including obligations and expenses; revenue; and percentage of cost recovery for each PSC cost center.			
Data Validation: <u>Measure 10</u> – Cost recovery data is reviewed monthly to monitor and adjust performance as needed. Final results are determined at the end of the fiscal year and will be calculated as the percentage of all cost centers whose cost recovery is 100%.			
Cross Reference: HHS Strategic Goal 8, Achieve management excellence by improving financial management.			

Performance Measure 10:

As a working capital fund, PSC must fully recover its operating costs with customer revenue at the agency level. However, in order to ensure that this rolled up information is being managed as effectively as possible, PSC also tracks this information at each individual cost center (product/service) level. Each cost center identifies costs, develops prices, and then revenue is collected at the cost center level. This enables PSC management to evaluate the performance, cost, and business results of each product line; identify problem areas; and take appropriate action. PSC will continue to monitor cost center performance with an expectation that all costs will be covered by revenue recognition.

During FY 2004 and FY 2005, PSC completed an analysis of most of its product lines and conducted extensive reengineering. As a result, PSC identified its core business products and expected all to be operating at the highest recovery levels for FY 2006. Therefore, PSC established targets for FY 2006 and FY 2007 that have 100% of cost centers achieving full cost recovery. To achieve the FY 2006 and FY 2007 targets, PSC management closely examines the cost centers that have repeatedly not achieved full cost recovery the last two fiscal years. The focus is to identify ways to reduce costs while striving for greater operational efficiency and maintaining high-quality products and services.

The performance results for FY 2006 demonstrate that 62% of cost centers fully recovered costs thus the target was not met. While the results achieved for FY 2006 were below the target of 100%, organizationally PSC recovered 100% of its operating costs.

While PSC continues to strive for full cost recovery at the organizational level and cost center level each year, it realizes that unforeseen circumstances and business fluctuations may alter its operations during the course of the year. Therefore, PSC established its FY 2008 target to have 90% of its cost centers recover costs within an established variance.

Changes and Improvements over Previous Years

The PSC's performance measures for FY 2007 targets have not changed since the FY 2007 Congressional Justification. However, as PSC continues to refine its performance management approach and study how to effectively meet its end outcomes, some of PSC's measures and targets will change for FY 2008. There are four significant changes for FY 2008. One goal is being dropped, one is being added, and two targets are changing.

Each of these changes described above is displayed in the following table:

Original Goal	Status	Revision/Rationale
Increase percentage of existing customers obtaining new services	Goal Dropped in FY 2008 – actual performance will be reported for FY 2006 and FY 2007 according to published targets	While expansion of our customer base is important to reduce overall unit price to customers, we are not seeing a significant impact from existing customers obtaining new services, therefore this goal is being dropped.
Reduce revenue consumed by intra-service costs	Revised target for FY 2008 - actual performance will be reported for FY 2006 and FY 2007 according to published targets	This goal will remain a maintenance goal for PSC. The new target for FY 2008 is to maintain the percentage of intra-service costs incurred in FY 2006.
Achieve target Net Operating Result (NOR)	Revised target for FY2008 - actual performance will be reported for FY 2006 and FY 2007 according to published targets	The target has been adjusted to reflect ambitious, yet realistic, levels of performance at the cost center level. The new target for FY 2008 is set for 90% of cost centers to recover within an established variance.
Achieve timely billings – percent of cost centers processing billings to coincide with service delivery	Goal added for FY 2008 (Developmental)	This new goal is intended to focus on evaluating and improving our business operations. A baseline will be established in FY 2007. The initial target for FY 2008 is set for 95%.

Supplemental Materials

Detail of Full-Time Equivalent Employment (FTE)

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM SUPPORT CENTER
Detail of Full-Time Equivalent Employment (FTE)

	2006 <u>Actual</u>	2007 <u>Continuing Resolution</u>	2008 <u>President's Budget</u>
Administrative Operations Service.....	187	193	197
Financial Management Service.....	206	237	253
Federal Occupational Health.....	86	82	80
Human Resources Service.....	180	182	184
Strategic Acquisition Service.....	99	107	111
Office of the Director.....	28	33	36
Human Resource Centers.....	425	412	415
Total, FTEs.....	1,211	1,246	1,276

	Average GS Grade
2003.....	10.71
2004.....	10.71
2005.....	11.14
2006.....	11.02
2007.....	10.98

Detail of Positions

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM SUPPORT CENTER
Detail of Positions

	2006 Actual	2007 Continuing Resolution	2008 President's Budget
Executive level I	0	0	0
Executive level II	1	1	1
Executive level III	3	3	3
Executive level IV	4	4	4
Executive level V	0	0	0
Subtotal.....	8	8	8
Total - ES Salary.....	\$1,202,605	\$1,261,935	\$1,333,423
GS-15.....	63	63	63
GS-14.....	155	155	156
GS-13.....	281	287	293
GS-12.....	190	199	204
GS-11.....	82	87	89
GS-10.....	1	1	1
GS-09.....	81	84	85
GS-08.....	37	38	45
GS-07.....	83	86	88
GS-06.....	31	37	40
GS-05.....	45	46	48
GS-04.....	36	37	38
GS-03.....	10	11	11
GS-02.....	7	7	7
GS-01.....	2	2	2
Subtotal.....	1,104	1,140	1,170
Total - GS Salary.....	\$85,249,468	\$89,455,223	\$94,522,837
CO-07.....	0	0	0
CO-06.....	20	19	19
CO-05.....	18	18	18
CO-04.....	12	12	12
CO-03.....	7	7	7
CO-02.....	1	1	1
CO-01.....	0	0	0
Subtotal.....	58	57	57
Total - CO Salary.....	\$4,102,228	\$3,847,710	\$3,956,067
Wage Graded			
07.....	1	1	1
06.....	14	14	14
05.....	15	15	15
04.....	11	11	11
03.....	0	0	0
02.....	0	0	0
Subtotal	41	41	41
Total - WG Salary.....	\$1,710,730	\$1,795,128	\$1,896,822
Total FTE usage, end of year.....	1,211	1,246	1,276
Average ES level.....			3.38
Average ES salary.....			\$166,678
Average GS level.....			10.94
Average GS salary.....			\$80,789
Average Commissioned Officer grade.....			4.82
Average Commissioned Officer salary.....			\$69,405
Average Wage Graded grade.....			5.12
Average Wage Graded salary.....			\$46,264

New Positions Requested

New Positions Requested 2008			
	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>
Administrative Operations Service			
Lead Visual Information Specialist	GS 13	1	\$ 92,685
Property Management Specialis.....	GS 11	1	65,029
Freedom of Information Assistant	GS 9/11	1	59,187
Audio Visual Production Specialist	GS 11	1	65,029
		4	\$ 281,930
Financial Management Service			
Accountant	GS 5/7/9/12	5	\$ 268,727
Accountant	GS 13	1	92,685
Accountant	GS 12/13	3	233,823
Accountant	GS 13/14	1	92,685
Accountant	GS 14	1	109,521
Accountant	GS 09/12	3	177,561
Computer Specialist	GS 14	1	109,521
Systems Accountant	GS 9/11/12	1	65,029
		16	\$ 1,149,551
Human Resources Service			
HR Specialist.....	GS 12/13	2	\$ 155,882
Strategic Acquisition Service			
Management Analyst	GS 12/13	1	\$ 92,685
Contract Specialist	GS 12/13	2	155,882
Contract Specialist	GS 09/11	1	59,187
		4	\$ 307,754
Office of the Director			
Administrative Management Intern.....	GS 9	1	\$ 53,745
Administrative Support Assistant.....	GS 7/8/9	1	48,662
IT Specialist.....	GS 13	1	92,685
		3	\$ 195,092
Human Resources Center			
HR Specialist.....	GS 9/11/12	3	\$ 195,087
	Total	32	\$ 2,285,296

Performance Budget Crosswalk

Performance Budget Crosswalk Program Support Center (\$ in Thousands)				
Performance Program Area (PPA)	Budget Activity	FY 2006 Actual	FY 2007 Continuing Resolution	FY 2008 President's Budget
Administrative Operations Service	Improve Quality	59,999	68,165	70,063
	Improve Costs Savings to HHS	111,428	126,591	130,118
	SubTotal	\$ 171,427	\$ 194,756	\$ 200,181
Financial Management Service	Improve Quality	23,445	30,444	33,254
	Improve Costs Savings to HHS	43,542	56,538	61,758
	SubTotal	\$ 66,987	\$ 86,982	\$ 95,012
Federal Occupational Health	Improve Quality	78,098	49,473	50,743
	Improve Costs Savings to HHS	145,039	91,879	94,237
	SubTotal	\$ 223,137	\$ 141,352	\$ 144,980
Human Resources Service	Improve Quality	18,511	21,716	22,250
	Improve Costs Savings to HHS	34,378	40,329	41,320
	SubTotal	\$ 52,889	\$ 62,045	\$ 63,570
Strategic Acquisition Service	Improve Quality	23,773	27,713	31,340
	Improve Costs Savings to HHS	44,149	51,467	58,190
	SubTotal	\$ 67,922	\$ 79,180	\$ 89,530
Business Technology Optimization	Improve Quality	430	147	148
	Improve Costs Savings to HHS	799	272	276
	SubTotal	\$ 1,229	\$ 419	\$ 424
Human Resource Centers	Improve Quality	17,203	18,330	18,680
	Improve Costs Savings to HHS	31,948	34,041	34,692
	SubTotal	\$ 49,151	\$ 52,371	\$ 53,372
Program Total		\$ 632,742	\$ 617,105	\$ 647,069

Summary of Full Cost

In estimating full cost, the PSC utilizes prior year and current year-to-date actual financial information from its systems. Overhead is allocated to all revenue producing cost centers, based on number of FTEs, and becomes part of their operating full cost. To fully recover costs at the program level, cost centers divide their full operating costs by anticipated units of customer demand.

Summary of Full Cost of Performance Program Areas Program Support Center (\$ in Thousands)			
Request, Full Costs & Annual Measures	FY 2006 Actual	FY 2007 Continuing Resolution	FY 2008 President's Budget
Improve Quality	221,460	215,987	226,474
Improve Cost Savings to HHS	411,282	401,118	420,595
Program Total	\$ 632,742	\$ 617,105	\$ 647,069

Special Requirements

UFMS Development and Implementation

The Unified Financial Management System (UFMS) is being implemented to replace five legacy accounting systems currently used across the Operating Divisions (Agencies). The UFMS will integrate the Department's financial management structure and provide HHS leaders with a more timely and coordinated view of critical financial management information. The system will also facilitate shared services among the Agencies and thereby, help management reduce substantially the cost of providing accounting service throughout HHS. Similarly, UFMS, by generating timely, reliable and consistent financial information, will enable the component agencies and program administrators to make more timely and informed decisions regarding their operations. UFMS has been in production for the CDC and FDA for over a year, with new functionality releases of Grants and IVR in October 2005 and eTravel in April 2006. The PSC implementation was moved to production on October 16, 2006.

UFMS Operations and Maintenance (O & M)

The PSC has the responsibility for ongoing Operations and Maintenance (O & M) activities for UFMS. The scope of O & M services includes post deployment support and ongoing business and technical operations services. Post-deployment services include supplemental functional support, training, change management and technical help-desk services. On-going business operation services involve core functional support, training and communications, and help desk services. On-going technical services include the operations and maintenance of the UFMS production and development environments, on-going development support, and backup and disaster recovery services. In accordance with Federal and HHS policy, the UFMS application is under an approval to operate through February 16, 2007 by the designated Certifying Authority and Designated Approving Authority (DAA). The UFMS application will be approved for operation for 1 year after this date. After October 2007, when all OPDIVs will be operational on UFMS, then a 3-year certification will be completed. This approval to operate assures that the necessary security controls have been properly reviewed and tested as required by the Federal Information Security Management Act (FISMA). PSC requests \$33,217,016 to support these efforts in FY 2008, with revenue coming from the HHS OPDIVs.

Administrative Systems

With the implementation of a modern accounting system, HHS has efforts underway to consolidate and implement automated administrative systems that share information electronically with UFMS. These systems will improve the business process flow within the Department, improve Funds Control and provide a state of the art integrated Financial Management System encompassing Finance, Budget, Acquisition, Travel and Property. As the UFMS project is nearing completion, the integration of administrative systems is the next step in making these processes more efficient and effective. The PSC will support coordinated development of these improved automated linkages and administrative systems.

HHS Consolidated Acquisition System

The HHS Consolidated Acquisition System (HCAS) initiative is a Department-wide contract management system that will integrate with the Unified Financial Management System (UFMS). The applications within the HCAS are Compusearch PRISM and a portion of the Oracle Compusearch Interface (OCI). PRISM is a federalized contract management system that helps streamline the procurement process. The implementation of PRISM includes the functionality of contract writing, simplified acquisitions, electronic approvals and routing, pre-award tracking, contract monitoring, post award tracking, contract closeout and reporting. Major functions once integrated with the UFMS include transfer of iProcurement requisition for commitment accounting and funds verification to PRISM and transmission of the award obligation from PRISM to Oracle Financials.

Benefits:

The following benefits will be realized by the Department and the individual OPDIVs/STAFFDIVs once the HCAS system is fully implemented and integrated with UFMS:

- Commitment Accounting
- Integration to other HHS Administrative Systems
- Decreased Operational Costs
- Increased Efficiency and Productivity
- Improved Decision Making – Unified systems
 - Data Integrity
 - Reporting
 - Performance Measurement
 - Financial Accountability
- Standardization
 - Business Processes
 - Information Technology
- Consistent Customer Service Levels
- Refocus personnel efforts on value-added tasks
- Knowledge Sharing
- System Enabled Work
 - HHS Acquisition Personnel – contracting
 - Customers in requirement preparation – requisitioning
- Meets Organizational Drivers and Goals (President’s Management Agenda, One-HHS, OMB Line of Business)

The HCAS team is working closely with the UFMS PMO and HHS PMO to ensure a smooth roll out of both PRISM and iProcurement. An integrated team, including personnel from UFMS, Acquisition and Assets has been formed to ensure maximum utilization of in-house expertise. PSC requests \$ 8,035,000 to support these efforts in FY 2008, with revenue coming from the HHS OPDIVs.

The PSC's request includes funding to support the President's Management Agenda Expanding E-Government and Departmental enterprise information technology initiatives. Operating Division funds will be combined to create an Enterprise Information Technology (EIT) Fund to finance specific information technology initiatives identified through the HHS Information Technology Capital Planning and Investment Control process and approved by the HHS IT Investment Review Board. These enterprise information technology initiatives promote collaboration in planning and project management and achieve common HHS-wide goals.

Retirement Pay and Medical Benefits for Commissioned Officers

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Retirement Pay and Medical Benefits for Commissioned Officers

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Appropriation Language

The Program Support Center has responsibility for the administration of the retirement pay for commissioned officers. The appropriations language for that account follows.

Retirement Pay and Medical Benefits for Commissioned Officers

For retirement pay and medical benefits of Public Health Service Commissioned Officers as authorized by law, for payments under the Retired Serviceman's Family Protection Plan and Survivor Benefit Plan, and for medical care of dependents and retired personnel under the Dependent's Medical Care Act (10 U.S.C. ch. 55), such amounts as may be required during the current fiscal year.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

Amounts Available for Obligation

	FY 2006 <u>Actual</u>	FY 2007 <u>Continuing Resolution</u>	FY 2008 <u>Estimate</u>
Mandatory ⁸	\$342,040,351	\$370,698,000	\$402,542,000
Discretionary ⁹	<u>34,477,000</u>	<u>36,288,000</u>	<u>37,365,000</u>
Total obligations	\$376,517,351	\$406,986,000	\$439,907,000

⁸ Includes Retirement Payments, Survivor's benefits, and Medical care.

⁹ Includes accruals for health care of Medicare-eligible beneficiaries.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

Summary of Changes

2007 Continuing Resolution.....	\$406,986,000
2008 Request.....	<u>439,907,000</u>
Net change.....	+32,921,000

Changes:	FY 2007 Current <u>Estimate Base</u>		<u>Change from Base</u>	
	FTE	BA	FTE	BA
1. Annualization of the FY 2007 COLA, 3.0% COLA in FY 2008, and for the projected net increase of retirees during FY 2008.	---	\$292,249,000	---	+\$25,718,000
2. Annualization of the FY 2007 COLA, 3.0% COLA in FY 2008, and projected net increase in average costs per survivor in FY 2008	---	17,338,000	---	+688,000
3. Will only cover medical benefits for Officers under age 65. Costs do include a projected increase of 6.25% in medical care costs for these Officers.	---	61,111,000	---	+5,438,000
4. Will cover Medicare Eligible Accrual Benefits for Officers under age 65.	---	36,288,000	---	+1,077,000
Net change			---	+\$32,921,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

Budget Authority by Activity

	FY 2006 <u>Actual</u>	FY 2007 <u>Continuing Resolution</u>	FY 2008 <u>Estimate</u>
Retirement payments	\$268,611,441	\$292,249,000	\$317,967,000
Survivors' benefits	16,674,656	17,338,000	18,026,000
Medical care	56,754,254	61,111,000	66,549,000
Medicare Eligible Accruals	<u>34,477,000</u>	<u>36,288,000</u>	<u>37,365,000</u>
Total	\$376,517,351	\$406,986,000	\$439,907,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

Budget Authority by Object

	FY 2006 <u>Actual</u>	FY 2007 <u>Continuing Resolution</u>	FY 2008 <u>Estimate</u>	Increase/ <u>Decrease</u>
Benefits for former Personnel	\$285,286,097	\$309,587,000	\$335,993,000	+\$26,406,000
Other Services	<u>91,231,254</u>	<u>97,399,000</u>	<u>103,914,000</u>	<u>+6,515,000</u>
Total budget authority by object	\$376,517,351	\$406,986,000	\$439,907,000	+\$32,921,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

Authorizing Legislation

	<u>FY 2007 Amount Authorized</u>	<u>FY 2007 Continuing Resolution</u>	<u>FY 2008 Amount Authorized</u>	<u>FY 2008 Estimate</u>
1. Retirement payments Chapter 6A of Title 42, U.S.C.	Indefinite	\$292,249,000	Indefinite	\$317,967,000
2. Survivors' benefits Chapter 73 of Title 10, U.S.C.	Indefinite	17,338,000	Indefinite	18,026,000
3. Medical care Chapter 55 Of Title 10 U.S.C., P.L. 89-614; P.L.106- 398; P.L. 107-107.	Indefinite	61,111,000	Indefinite	66,549,000
4. Medicare Eligible Accruals, Chapter 55 Of Title 10 U.S.C., P.L. 108-375	Indefinite	36,288,000	Indefinite	37,365,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

Appropriations History Table

<u>Year</u>	<u>Budget Estimate to Congress</u>	<u>House Allowance</u>	<u>Senate Allowance</u>	<u>Appropriation</u>
1992	\$134,674,000	\$134,674,000	\$134,674,000	\$123,189,000
1993	140,762,000	140,762,000	140,762,000	140,463,000
1994	153,060,000	153,060,000	153,060,000	147,191,000
1995	159,321,000	159,321,000	159,321,000	144,370,000
1996	166,925,000	166,925,000	166,925,000	154,715,000
1997	178,635,000	178,635,000	178,635,000	179,008,000
1998	190,739,000	190,739,000	190,739,000	190,996,000
1999	201,635,000	201,635,000	201,635,000	200,870,805
2000	214,905,000	214,905,000	214,905,000	201,842,168
2001	219,772,000	219,772,000	219,772,000	245,956,147
2002	242,577,000	242,577,000	242,577,000	273,478,736
2003	251,039,000	251,039,000	251,039,000	291,471,400
2004	308,763,000	308,763,000	308,763,000	321,083,552
2005	324,636,000	324,636,000	324,636,000	343,885,944
2006	363,029,000	363,029,000	363,029,000	376,517,351
2007	377,982,000	377,982,000	377,982,000	406,986,000
2008	439,907,000			

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

Justification

A. Account Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Continuing Resolution</u>	FY 2008 <u>Estimate</u>	Increase or <u>Decrease</u>
Retirement payments	\$268,611,441	\$292,249,000	\$317,967,000	+\$25,718,000
Survivors' benefits	16,674,656	17,338,000	18,026,000	+688,000
Medical care	56,754,254	61,111,000	66,549,000	+5,438,000
Medicare Eligible Accruals	<u>34,477,000</u>	<u>36,288,000</u>	<u>37,365,000</u>	<u>+1,077,000</u>
Total budget authority	\$376,517,351	\$406,986,000	\$439,907,000	+\$32,921,000

B. General Statement

This appropriation provides for retirement payments to Public Health Service (PHS) officers who are retired for age, disability, or a specified length of service as well as for payments to survivors of deceased retired officers who had elected to receive reduced retirement payments.

This account also funds the provision of medical care to active duty and retired members of the PHS Commissioned Corps, and to dependents of active duty, retired and deceased members of the PHS Commissioned Corps.

The FY 2008 request is a net increase of \$32,921,000 over the FY 2007 level. This amount reflects increased medical benefits costs, an annualization of amounts paid to retirees and survivors in FY 2006, and a net increase in the number of retirees and survivors during FY 2006. The budget request includes a cost-of-living adjustment (COLA) of 3.0 percent.

C. Retirement Payments

Authorizing legislation - Chapter 6A of Title 42 U.S.C.

FY 2006 <u>Actual</u>	FY 2007 <u>Continuing Resolution</u>	FY 2008 <u>Estimate</u>	Increase or <u>Decrease</u>
\$268,611,411	\$292,249,000	\$317,967,000	+\$25,718,000

2008 Authorization..... Indefinite

Purpose and Method of Operation

The purpose of this activity is to provide mandatory payments to Commissioned Officers of the Public Health Service who have been retired for age, disability or specified length of service.

Funding levels for the past five fiscal years were as follows:

2003.....	213,938,930
2004.....	228,064,000
2005.....	247,031,515
2006.....	268,611,441
2007.....	292,249,000

Rationale for the FY 2008 Budget Request

The FY 2008 request of \$317,967,000 is an increase of \$25,718,000 over the FY 2007 level and will support payments to an estimated 5,149 annuitants. The increase will fund the annualization costs of the FY 2007 COLA, an FY 2008 COLA of 3.0 percent, and the projected net increase of 253 retirees during FY 2008.

The FY 2008 estimates are based on payments to the following number of retirees:

<u>Period Ending</u>	<u>Total</u>	<u>Net Increase/(Decrease)</u>
September 30, 2006, (act.)	4,647	178
September 30, 2007, (est.)	4,896	249
September 30, 2008, (est.)	5,149	253

D. Survivors' Benefits

Authorizing legislation - Chapter 73 of Title 10 U.S.C.

FY 2006 <u>Actual</u>	FY 2007 <u>Continuing Resolution</u>	FY 2008 <u>Estimate</u>	Increase or <u>Decrease</u>
\$16,674,656	\$17,338,000	\$18,026,000	+\$688,000

2008 Authorization..... Indefinite

Purpose and Method of Operation

This activity provides for the payment of annuities to survivors of retired officers who had elected to receive reduced retirement payments under the Retired Serviceman's Family Protection Plan and Survivor's Benefit Plan. This program is financed by the Federal Government although deductions are made in the retirement payments to the officers who elect the option of survivors' benefits.

Funding levels for the past five years were as follows:

2003.....	13,478,866
2004.....	14,298,000
2005.....	14,206,440
2006.....	16,674,656
2007.....	17,338,000

Rationale for the FY 2008 Budget Request

The FY 2008 request of \$18,026,000 is an increase of \$688,000 from the FY 2007 level and will provide payments for an estimated 645 annuitants. This amount includes funds for the annualization costs of the FY 2007 COLA and the FY 2008 COLA of 3.0 percent.

The FY 2008 estimates are based on payments to the following numbers of annuitants:

<u>Period Ending</u>	<u>Total</u>	<u>Net Increase/(Decrease)</u>
September 30, 2006, (act.)	633	(3)
September 30, 2007, (est.)	639	6
September 30, 2008, (est.)	645	6

E. Medical Care

Authorizing legislation - Chapter 55 of Title 10 U.S.C.; P.L. 106-398; and P.L. 107-107.

FY 2006 <u>Actual</u>	FY 2007 <u>Continuing Resolution</u>	FY 2008 <u>Estimate</u>	Increase or <u>Decrease</u>
\$56,754,254	\$61,111,000	\$66,549,000	\$5,438,000

2008 Authorization..... Indefinite

Purpose and Method of Operation

This program provides for the cost of medical care rendered in non-Federal and in uniformed service facilities to active duty and retired PHS commissioned officers and dependents of eligible personnel.

This activity fulfills the mandatory medical care obligations of the Public Health Service to Commissioned Officers and their dependents. Medical care to eligible beneficiaries is authorized under the Dependents' Medical Care Act, as amended by P.L. 89-614, which allows for an expanded and uniform program of medical care to active duty and retired members of the uniformed services, and dependents of active duty, retired and deceased members. Health care provided in a uniformed service facility is billed directly to the Public Health Service by that organization. When medical care is provided to dependents or retirees in a private facility, the Civilian Health and Medical Program of the Uniformed Services (TRICARE) acts as the Government's agent to arrange payment and, in turn, bills the Public Health Service for the services rendered. In addition, contract medical care is arranged for active duty officers who are not stationed in an area accessible to uniformed facilities.

Funding levels for the past five years were as follows:

	Total <u>Funding Level</u>
2003	38,915,768
2004	52,577,831
2005	44,992,558
2006	56,754,254
2007	61,111,000

Rationale for FY 2008 Budget Request

The request of \$66,549,000 will provide medical care for under age 65 beneficiaries. The FY 2008 request reflects increases in the cost of drugs and inpatient and outpatient care for all beneficiaries in Federal and non-Federal facilities.

The FY 2008 estimates are based on payments to the following numbers of active duty officers:

<u>Period Ending</u>	<u>Total</u>	<u>Net Increase/(Decrease)</u>
September 30, 2006, (act.)	5,922	(55)
September 30, 2007, (est.)	6,002	80
September 30, 2008, (est.)	6,151	149

F. Medicare-Eligible Accruals

Authorizing legislation – Chapter 55 of Title 10 U.S.C.; P.L. 108-375

FY 2006 <u>Actual</u>	FY 2007 <u>Continuing Resolution</u>	FY 2008 <u>Estimate</u>	Increase or <u>Decrease</u>
\$34,477,000	\$36,288,000	\$37,365,000	\$1,077,000

2008 Authorization..... Indefinite

Purpose and Method of Operation

The purpose of this activity is to provide discretionary payments of accrual amounts to the Department of Defense Uniformed Service Retiree Health Care Fund for Medicare-eligible beneficiaries on behalf of the PHS Commissioned Corps. The cost of medical benefits for Medicare-eligible beneficiaries is paid from the Department of Defense Medicare-Eligible Retiree Health Care Fund (10 U.S.C., ch. 55). Beginning in 2006, permanent indefinite authority is provided for a discretionary appropriation of the annual accrual payment into this fund (P.L. 108-375, section 725).

Funding levels for the past four years were as follows:

	Total <u>Funding Level</u>
2003	25,150,897
2004	27,384,375
2005	32,045,430
2006	34,477,000
2007	36,288,000

Rationale for FY 2008 Budget Request

The request of \$37,365,000 includes an increase of \$1,077,000 which reflects the accrual rate that has been determined by the DoD Actuary Report.

The FY 2008 estimates are based on payments to the following numbers of active duty officers:

<u>Period Ending</u>	<u>Total</u>	<u>Net Increase/(Decrease)</u>
September 30, 2006, (act.)	6,100	125
September 30, 2007, (est.)	6,000	(100)
September 30, 2008, (est.)	6,240	240