

FINANCIAL MANAGEMENT PERFORMANCE PLAN FISCAL YEAR 2003

OVERVIEW

Since the passage of the Chief Financial Officers (CFO) Act in 1990, the Department of the Treasury has made significant progress in improving financial management. An original requirement of the CFO Act was to document these efforts in an annual, standalone Financial Management Status Report and Five-Year Plan. With the full requirements of the Government Performance and Results Act (GPRA) of 1993 taking hold for the Fiscal Year (FY) 1999 budget submission, Treasury now assimilates all features of the standalone report into the various component pieces required by the GPRA. Specifically, the longer-term, financial management initiatives have been incorporated into the Treasury-wide Strategic Plan and the related performance results will be reported in both the Department's comprehensive FY 2001 Performance Report and the audited Treasury-wide Accountability Report. The ensuing discussion constitutes the OMB Circular No. A-11, Section 52 requirement for Information on Financial Management. It should be noted, however, that unlike most "directly linked" program budget accounts, the budget accounts for these financial management performance goals are not separate but embedded in the budgetary base.

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

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

VISION STATEMENT

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

GOALS AND STRATEGIES

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

- Review the cost accounting practices/plans across the Department to ensure compliance with the FASAB standards and the degree of uniformity/flexibility needed to capture costs in the manner necessary to prepare the Department's statement of net cost and monthly/quarterly analyses of costs/performance measures.
- Deliver the FY 2002 Accountability Report, which continues to integrate financial and aggregate level performance information, to the Congress and OMB by the February 1 statutory due date and maintain an unqualified audit opinion.
- Reduce the number of open material weaknesses and minimize new challenges by performing various internal control activities. Actions are being taken to replace the Department's audit tracking system (ITCS).

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

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

- Complete the implementation of Treasury's Financial Analysis and Reporting System (FARS) which will provide bureau and Department managers with the information necessary to better manage the Department's resources. FARS maintains key financial data from the bureaus core financial systems to produce financial statements and manage financial resources. In addition, we are working to add performance data to FARS in future years. Full implementation of FARS will include web-enabling the system for access by Treasury bureaus and Departmental Offices.
- Work with Treasury bureaus in the selection of financial management systems (e.g., core financial, enterprise resource planning, administrative, etc.) that meet their business requirements and are consistent with government-wide and Departmental policies. These systems should be part of the bureaus' overall systems integration strategy. DCFO will provide support during the project as requested by the bureaus.
- Work with Treasury bureaus to ensure that their financial management systems are compliant with all Department and government-wide requirements including system security requirements. For FY 2002, we will work with the bureaus to implement their remediation plans in accordance with the Federal Financial Management Improvement Act of 1996 (FFMIA). The Office of the DCFO will review the bureaus' quarterly status reports for consistency and performance with the planned actions.

- Improve the timeliness and quality of financial data submissions. Work with the bureaus to implement the 3-day close of the bureaus' financial records by June 2002.

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

PERFORMANCE PLAN SUMMARY

Performance against the four aforementioned strategies will be measured throughout FY 2002, and included in the GPRA required Performance Report. The Treasury CFO Council will also use the information to refine the action plans for each of the identified performance goals.

IMPEDIMENTS TO THE SUBMISSION OF THE REQUIRED ANNUAL AUDITED FINANCIAL STATEMENTS

Maintain an unqualified audit opinion on the Internal Revenue Service's (IRS) financial statements in a timely manner – The achievement of an unqualified audit opinion on the IRS financial statements is critical to the Department, and the federal government, receiving unqualified opinions on their statements. For FY 2000, the IRS received an unqualified audit opinion on its financial statements. These statements report on the IRS' annual net cost of operations of about \$8.7 billion and revenue collections of about \$2 trillion.

In issuing the audit opinion, GAO reported that IRS received an unqualified audit opinion due to the extraordinary efforts of IRS senior management and staff to compensate for serious internal control and system deficiencies. Further, GAO stated that there has been a tremendous amount of hard work and commitment over the last 2 years, and there have been some significant improvements. Such efforts will be needed to sustain an unqualified audit opinion in future years until lasting solutions to IRS' internal controls and systems deficiencies are fully achieved.

Weaknesses in financial management systems – Several of the Department's bureaus have financial systems that do not comply with federal systems standards and are reported as material nonconformances under the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA). These systems do not produce timely, accurate financial data, which hampers the timely preparation and auditability of financial statements. Even though the Department's FY 2000 Accountability Report met the statutory due date of March 1, the Department will continue to be subject to the risk of not producing the Accountability Report by the statutory due date until these weaknesses are corrected. As the systems problems are corrected, timeliness, accuracy, and audit ability should all be improved. However, many of these problems are long-standing and will require extensive corrective actions to remedy.

SIGNIFICANT ACCOMPLISHMENTS

Several accomplishments took place in fiscal year (FY) 2001. Some of the more significant ones include:

- ▶ The Department significantly improved its audit results on the FY 2000 Accountability Report. For the first time, since passage of the Government Management Reform Act of 1994, the Department received an unqualified audit opinion on its Accountability Report that includes the Consolidated Department-wide Financial Statements.
- ▶ Made significant progress toward implementing the 3-day close initiative to accelerate the production of timely, accurate financial data across the Department.
- ▶ The Department significantly improved its ability to electronically exchange financial information and data for inclusion into the FY 2000 Accountability Report. A DCFO Web based data repository was created for all Treasury reporting entities to download instructions and data formats for sending necessary information back to the Department. This process improved significantly the data quality and timeliness, as well as improved our ability to communicate with all Treasury reporting entities.
- ▶ Continued improving the CFO Vision application, which is part of the Financial Analysis and Reporting System (FARS) system. Implemented the latest release of CFO Vision and modified the financial statement reporting capabilities in accordance with OMB requirements. FARS will produce the Department's FY 2001 consolidated financial statements. Continued to work with the bureaus to improve the financial data submitted to the Treasury Information Executive Repository (TIER).
- ▶ Implemented financial data stewardship program throughout the Treasury Department, standardizing SGL's and Budget Object Class codes. Implemented the financial data standards database to serve as the Department's repository of financial data elements. The database was rehosted to Treasury's intranet website (TreasNet) and integrated with TIER to maintain consistency between the two applications.
- ▶ Worked with Treasury bureaus to implement Treasury Directive 32-02, which requires bureaus to obtain ASM/CFO approval of significant modifications to, or replacement of, existing financial management systems. Issued guidance to assist the bureaus in their compliance with the Directive.
- ▶ Provided staff support to Treasury bureaus with their financial systems projects. Staff worked with Customs, OCC, FMD, and IRS. Conducted the 2nd Annual Financial Systems Symposium, which was attended by 120 Treasury employees.
- ▶ Developed a draft Continuity of Operations Plan to be used in the event of an emergency which disrupted the Department's normal operations. Work will continue to finalize the plan.

- ▶ Produced Treasury's Financial Systems Plan for submission to OMB as part of the Department's FY 2003 budget submission. Worked with Treasury bureaus to obtain contents of the plan.
- ▶ The transition of the core accounting system from the Financial Management Service, which provided accounting services to our Financial Management Division, to the Bureau of the Public Debt was completed during FY 2001. The conversion was successful and February 20, 2001 marked the first day of operation. In order to convert to a new core financial system in FY 2004, the staff continues training and exposure to the Oracle Financials accounting software application. A detailed transition plan will be developed in the 2nd quarter of FY 2002 that will address the transition, realignment of functions and milestones, and actions necessary to ensure successful completion.
- ▶ Due to the success of the Franchise Fund Pilot Program, the DCFO submitted language to Legislative Affairs proposing the removal of the sunset date of the current legislation, which would make the Franchise Fund permanent. The DCFO continues to provide leadership by encouraging the expansion of the Fund at a manageable pace, overseeing the Fund Manager responsibilities and providing assistance as needed. Fund revenue for the year was \$223M, well above the goal of \$180M. During FY 2001 the Fund acquired two additional business activities from the Department of the Interior. The fund's customer base increased by 200 customers over the same period last year.
- ▶ Continued to provide assistance to the Department, OMB, and the Treasury Bureaus on budget execution matters. The following are examples of this support:
 - prepared and received approval for seven reprogramming requests;
 - coordinated the DCFO Fair Act requirements and developed a submission format that was used by the entire Department; and,
 - coordinated the conversion of apportionment formats to the new "electronic" OMB approved formats for the entire Department; and submitted the initial FY 2002 apportionment requests to OMB on time.

PLAN FOR FINANCIAL MANAGEMENT SYSTEMS STRUCTURE

OVERVIEW

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

Treasury has previously developed a strategy for improving its financial management systems structure and is continuing to implement this strategy. The target financial management systems structure is embodied in the Department's Financial Analysis and Reporting System (FARS). The FARS structure provides Treasury bureaus with the flexibility necessary to meet their unique business needs and also provides the data standardization and integration tools needed to meet the Department's reporting and financial management analysis needs. The Department used FARS to produce its fiscal year 2000 Accountability Report, receiving its first-ever unqualified audit opinion.

In the Department's financial management systems plan included in its FY 2002 budget submission, the FARS structure represented the Department's target structure. In this year's plan, because of the Department's substantial progress during FY 2001, the FARS structure represents both the Department's target and baseline financial management systems structures. This financial systems plan acknowledges the Department's progress made thus far in implementing its target structure and addresses those remaining projects required to implement the target structure.

I. BASELINE

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

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

Bureaus

The Department's Inventory of Financial Management Systems reflects Treasury's current baseline of financial management and mixed systems. As of October 2001, the Department's FY 2001 Inventory of Financial Management Systems lists a total of 182 financial and mixed systems. All 13 of the Department's bureaus currently use COTS software packages as their core financial management systems. Five bureaus use American Management Systems's (AMS) Federal Financial System (FFS) software. Two bureaus—the Bureau of Alcohol, Tobacco and Firearms (ATF) and the Federal Law Enforcement Training Center (FLETC) are now using another AMS software product, Momentum. Of the six non-AMS bureaus, one uses Computer Associates accounting software, one uses Federal Success software, one bureau uses software from Computer Data Systems, Inc., and one uses the COnsolidated INformation System (COINS), a product of PeopleSoft. The U.S. Customs Service (USCS) is currently implementing R/3, a product of the SAP Corporation as a replacement to their current system, FFS. In most cases, bureaus have modified their COTS core accounting software applications to meet their own specific needs. As bureaus implement new replacement financial management systems, these systems are generally being installed without any significant modifications.

A number of Treasury's bureaus provide cross-servicing to other bureaus and reporting entities. This enables smaller bureaus to have access to core financial systems without having to maintain the necessary technical and systems architectures. For example, the Financial Management Service (FMS) and Departmental Offices (DO) have migrated their administrative accounting functions to the Bureau of the Public Debt (BPD). The Office of the Inspector General is being cross-serviced by the Department of the Interior. In addition, both Customs and IRS cross-service other bureaus and some reporting entities are cross serviced for other financial management services, such as electronic travel processing.

The Department

On a Departmental basis, Treasury's Office of the Deputy Chief Financial Officer (DCFO) maintains financial management systems that consolidate data from all bureaus. These systems provide the capability to review data at both the Departmental and bureau levels. The DCFO's systems are TIER; CFO Vision™, and the Inventory, Tracking and Closure System (ITCS). The Department also uses the Performance Reporting System (PRS) to track and report on bureau performance measurement indicators. These systems form the basis of FARS. FARS enhances the Department's capability to analyze its financial data and produce its consolidated financial statements.

Below is a description of the FARS applications:

Treasury Information Executive Repository (TIER)

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

TIER is one of the primary elements of Treasury's Department-wide financial systems integration and standardization strategy. TIER was developed in 1994 and consolidates summary financial data from all Treasury bureaus. TIER was a significant factor in the Office of Inspector General's (OIG) 1995 decision to recommend that the Department be removed from the Office of Management and Budget's (OMB) High Risk List for "lack of effective management oversight of systems development activities." TIER contains the structured data necessary to prepare annual audited consolidated financial statements required by the Government Management Reform Act (GMRA) of 1994 (Public Law 103-356).

The Department has made significant progress during the past several years in working with bureaus to improve the quality and the comprehensiveness of the data submitted to TIER. A data collection plan was developed for collecting the data elements needed for the Department's consolidated financial statements. New data element requirements were implemented to collect additional financial data and bureaus have completed modifying their core financial systems to provide these additional data elements to TIER. Additional data validation edits were added to TIER to ensure that the data meets Departmental and governmentwide standards. In FY 2000, the Department was able to submit FACTS II budgetary data to FMS through a host to host transfer to the Financial Management Service. All available FACTS II data was successfully transferred with the exception of two bureaus that transferred their data to FMS from their own systems.

Departmental staff have been reviewing and analyzing the quality of data submitted by the bureaus and have been reporting the results of these analyses to the bureaus at both the executive level, through the Treasury Chief Financial Officers Council (TCFOC), and the staff level. Analysts in the Office of the DCFO work continually with bureau staff to clarify new and existing TIER data standards. Some of this analysis has prompted the Department to implement additional data validation edits in TIER, which will help to further improve the quality of the data transmitted to TIER. Based upon the improved data quality, the Department was able to produce the FY 2000 consolidated financial statements using the TIER data and CFO Vision™. As a result of this effort, Treasury produced its FY 2000 consolidated financial statements and received its first unqualified audit opinion.

CFO Vision™

The CFO Vision™ component of FARS is used to analyze and report on Treasury's proprietary and budgetary financial data. The monthly financial data transmitted to TIER is consolidated and validated through extensive TIER edits. The data is extracted to CFO Vision™ to be processed for analyses and *ad hoc* management reports, as well as to produce the Department's consolidated financial statements.

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

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

- Consolidated Statement of Net Cost

For FY 2001, the system produced five of the six statements. CFO Vision™ did not produce the Statement of Financing since it did not contain all of the data necessary to complete it. This statement has been developed and configured for fiscal year 2001 and will be used to test the methodology for the following year. Using CFO Vision™ has proven very helpful to Departmental staff in reviewing the quality of TIER data. The Department will continue to use CFO Vision™ to analyze bureau financial data, generate the Department's financial statements, and provide Departmental and bureau management with more timely, reliable, and consistent financial information.

The Inventory, Tracking and Closure System (ITCS)

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

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

During FY 2001, the Department initiated a project to replace the ITCS. The system is being replaced to take advantage of improved technology, providing information to bureau and Department users via the Treasury Intranet. The replacement system will also provide new functionality, as well as e-mail notification of significant activities. In May 2001, the Department issued a requirements document which provided functional and technical requirements to potential developers. After evaluating submitted developer proposals against the requirements and other selection criteria, the Department selected a developer for the project. Departmental staff are currently preparing more detailed requirements for the developer.

Performance Reporting System (PRS)

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

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

Cost Management

The Department conducted a survey to determine the bureaus' methodology for capturing, reporting, and managing costs. The results of the study, along with recommendations, were presented to the Treasury CFO Council (TCFOC). After a review of the options, a Department-wide committee was established to evaluate the recommendations and submit implementation recommendations to the TCFOC. The TCFOC approved the committee's recommendations and the Department is proceeding with implementation.

Investment Review Boards

In accordance with the Information Technology Management Reform Act (ITMRA) of 1996 (Division E of Public Law 104-106) and Executive Order 13011, "Federal Information Technology," issued July 19, 1996, the Department of the Treasury established the Capital Investment Review Board (CIRB) in 1997. The purpose of the CIRB is to ensure that major capital improvements, including information technology (IT) investments, are made in alignment with Departmental and bureau strategic and architectural plans. The CIRB establishes and applies criteria for identifying shared benefits and risks of IT investments, focusing on OMB's criteria (Raines' Rules) for IT investments, risk management, and evaluation and prioritization of major IT projects. The CIRB is responsible for approving major capital investments; recommending resource allocations; and monitoring the implementation of approved capital investment projects. Bureau investment review boards, using guidelines provided by the CIRB, conduct similar reviews of bureau IT investments.

Data Standardization

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

The main goal of the data standardization effort is to enable the Department to consolidate consistent financial data, providing managers with the financial information they need to manage their programs. The three major components of these recommendations were (1) to standardize the budget object class at a 3-digit level (from the 2-digit level), (2) to standardize the Standard General Ledger (SGL) accounts throughout Treasury by using a Treasury-specific Chart of Accounts, and (3) to standardize the input of Treasury Fund Symbols. These recommendations, along with a recommendation to implement a data stewardship process, were approved by the TCFOC.

During FY 2001, the FINSTAD database was migrated from the contractor's site to the Treasury servers. Now that the database resides within the Treasury firewall, only authorized Treasury personnel have access to it. In addition, the Data Stewards have the option of updating the FINSTAD database at any time with current TIER data. The database was recently updated with a TIER data extract to include the FY 2002 General Ledger accounts, budget object codes, and fund symbols.

Implementation of Departmentwide Systems

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

The new HR system being developed by the Department and the bureaus, HR Connect, will be implemented throughout Treasury over a period of five years and will replace the majority of the legacy systems which currently support personnel and payroll functions. Currently, six bureaus (ATF, OCC, USSS, FMS, DO, and FLETC) have deployed HR Connect on a limited basis to automate their processing of Personnel Action Requests (PAR): the SF 50 Notification of Personnel Action and the SF 52 Request for Personnel Action. Advantages of automating the processing of PARs include reduced paperwork, improved tracking and accountability, streamlined processes, and better data for management decision making.

Federal Financial Management Improvement Act Remediation Plans

Based on the FY 2000 financial statement audits, six Treasury bureaus were found to be not in substantial compliance with the Federal Financial Management Improvement Act of 1996: the Internal Revenue Service, the U.S. Customs Service, Financial Management Service, Departmental Offices, Office of the Comptroller of the Currency, and the U.S. Secret Service. In accordance with Section 803 (c)(3)(A) of the FFMIA, the non-compliant bureaus prepared Remediation Plans to bring their systems into substantial compliance. These bureaus continue to work according to their plans in order to achieve compliance with the FFMIA. Bureaus report on the status of their FFMIA compliance efforts to the Department's DCFO organization on a quarterly basis. The Remediation Plans are being submitted to the Office of Management and Budget under separate cover. As a result of the magnitude of the remedies to correct these non-conformances, the Department is working with the Office of Management and Budget (OMB) to ensure compliance with the terms of the Act. OMB has granted a waiver to the IRS and Customs Service to the requirement to complete its remediation plan with three years. Quarterly meetings are held with OMB to review the status of the plans.

During FY 2001, the bureaus made significant progress in implementing their remediation plans. Departmental Offices has corrected its FFMIA non-compliance. The Office of the Comptroller of the Currency is implementing its new financial system. The implementation of this system is a significant component in correcting its non-compliance. The U.S. Secret Service is conducting a verification of its corrective action to ensure that it has corrected the identified weakness. After this verification, it is anticipated that the Secret Service will be compliant with FFMIA.

II. TARGET STRUCTURE

Future Departmental Financial Management Systems Structure

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

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

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

In the FARS structure (see Figure 1), bureaus continue to maintain their own financial management systems. Bureaus and other reporting entities submit monthly summary data to the central data warehouse, TIER, for consolidation, data validation, and other edit checks. From TIER, the data is exported to CFO Vision™ for analysis and reporting.

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

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

The Department's target financial management systems structure does not call for a single Treasury-wide financial management system. Rather, the structure strikes a balance between the need to accommodate the unique data requirements of the bureaus and the Department's need for standardized, consolidated Treasurywide data. Although Treasury does not currently have plans to develop any Department-wide financial management systems, (beyond the centralized HR system), the Department will evaluate opportunities for consolidating systems across bureaus, as appropriate. Bureaus will continue to enhance their financial and mixed systems to meet their specific missions. These systems will be implemented and maintained in accordance with all government and Department standards, including OMB Circular A-127, JFMIP system requirements, the Clinger-Cohen Act, etc. In addition, these systems will provide standardized financial data to the Department for consolidation and reporting.

III. PROJECTS REQUIRED TO MOVE FROM BASELINE TO TARGET

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

FARS Implementation Project

The first step in the Department's migration to its FARS target structure is the complete implementation of the CFO Vision™ tool. FARS, utilizing the summary financial data submitted by the bureaus, generates the required combined and consolidated financial statements in accordance with OMB's Form and Content bulletin.

A schematic showing the process followed to produce these statements, along with the associated footnotes and other components of the FY 2001 Accountability Report, is found in Figure 2. In addition, to producing the financial statements, FARS will provide Departmental and bureau financial managers with the capability to produce *ad hoc* reports for internal management reporting.

CFO Vision

The CFO Vision™ software is being implemented in phases. At the end of Phase I, the CFO Vision™ tool produced Treasury's consolidated Departmental financial statements for FY 2000. Phase I was completed with the production of Treasury's fiscal year 2000 Accountability Report.

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

The data sets which bureaus have transmitted to TIER from FY 1999 and later were expanded to include additional data elements needed for producing the financial statements. Treasury completed modifications to their core financial systems to collect these additional data for submission to TIER. The Department is working, and will continue to work, with all bureaus to verify data submitted to TIER are of the high quality necessary to serve as the basis for the Department's consolidated financial statements.

Phase II

Phase II of the CFO Vision™ implementation will involve (1) expanding the CFO Vision™ tool for use by bureaus and other offices within the Department, and (2) developing and implementing additional financial management reports. CFO Vision™ will be made available to all bureaus via the Department's Intranet website. With the full implementation of the latest vendor release, the bureaus will be able to access CFO Vision™ data and generate all reports. In addition, bureaus will be able to access CFO Vision™ directly through Microsoft Excel spreadsheets.

The progress of the Web-enabled rollout to bureaus will depend on resolving additional firewall and Internet protocol issues, and the potential requirement to immediately maintain data on two servers across Departmental Offices' firewall. With the full implementation of CFO Vision™ at Departmental Offices and the rollout of reporting and analytical capabilities to Treasury bureaus,

Phase II of the project will be completed. The Department will continue to work with the vendor to enhance the software to better meet its financial management needs.

TIER

TIER plays an important role in producing the Department's consolidated financial statements by serving as a data warehouse for bureau financial data. The TIER data is extracted to CFO Vision™ for the actual production of financial statements. The Department will use the TIER data to prepare the fiscal year 2001 Treasury Accountability Report. The bureau data will be edited to ensure it meets both Department-wide and government-wide requirements.

TIER plays another important role in financial reporting by transmitting financial data to the Federal Agency Centralized Trial-Balance System (FACTS) on behalf of Treasury bureaus. This includes both the FACTS I and FACTS II submissions. As a result of this centralized submission, the bureaus' financial data will agree with the data amounts reported in both the Department's Accountability Report and federal government's financial statement.

CFO Vision

CFO Vision™ is currently operating on Version 3.1, which was installed in September 2001. This version will allow the contractors to perform consolidations more easily as well as other improvements in speed and capability. CFO Vision™ will also become web-enabled allowing easier access for the user community.

A CFO Vision™ archiving plan was developed. The archiving plan's primary purpose is to preserve a clear audit trail from the TIER data extract file to the CFO Vision™ data consolidations and report templates. These templates are applied to consolidations to create the various financial statements and other financial reports, notes, and tables. The archiving plan was made part of the CFO Vision™ Users Manual that was recently developed and submitted for approval.

Inventory, Tracking and Closure System

The Department is now developing a redesigned ITCS which will replace the current system. The redesigned system will provide enhanced functionality, track certain additional data, and increase user-friendliness. In addition, the redesigned ITCS will be a web-based system accessible to all authorized users via the Treasury Intranet (TreasNet), (unlike the current ITCS, which requires that each bureau purchase telecommunications software in order to access the system). A developer has been selected for the project, and Treasury staff is finalizing its business/system requirements. The redesigned ITCS is scheduled for implementation in mid-FY 2002.

Performance Reporting System

To date, bureaus have input to the PRS the same performance data reported in the annual budget submission, and a mid-year performance report. In the future, the Department expects to move to more frequent reporting of performance information. Current development efforts are focused on updating performance data in PRS electronically by files generated by each bureau's source systems, rather than manually via the Intranet as is now the case. (This concept was successfully proven through an IRS pilot.) In addition, planned enhancements include providing historical data, in graphical form, to show past performance for each measure, and ready access to definitions and verification/validation information.

Data Standardization

During FY 2001, the project was completed and the Treasury Financial Standards database (FINSTAD) was relocated from the Lotus Notes servers of InfoPro, Inc. to the Treasury Lotus Notes Server. This transfer allows the users to access FINSTAD through the Treasury Intranet. The data stewardship process was also completed in FY 2001. Implementation of the data stewardship program enables the Department to maintain standard data elements in an ongoing environment. Both the FINSTAD users guide and data stewardship plan are located on the Treasury Intranet.

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

During FY 2002, the system will be updated to reflect new SGL and Fund Symbol accounts. The Department will host a meeting with bureau data stewards to ensure that data standardization processes are maintained at the bureau level.

Financial Analysis and Reporting System (FARS)



TOOL KIT

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

DRILL-DOWN

HOLDING TANK

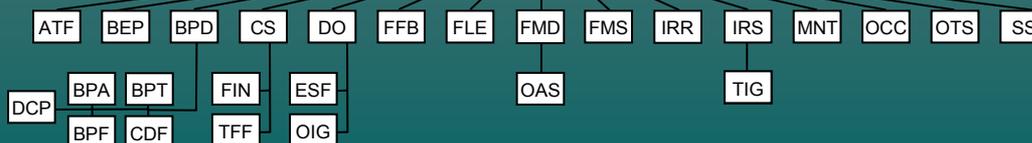
DEDICATED FINANCIAL DATA SERVER(S) FOR:
 - Accounting/Budget Execution Data
 - Other Future Data Subsets

FINANCIAL DATA WAREHOUSE

TIER Contains

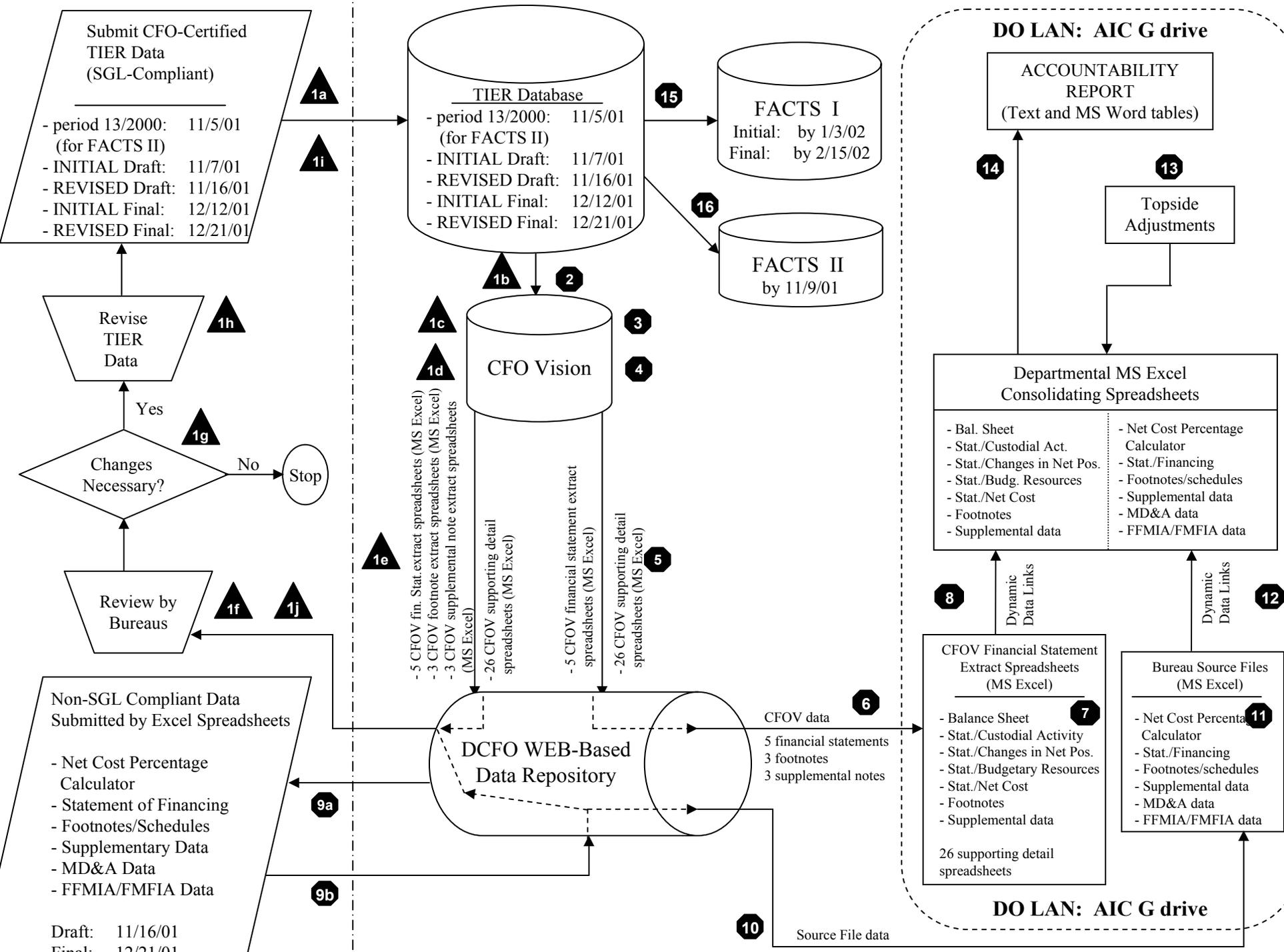
- Summary Level Financial Data From 1.4 Billion Transactions
- Financial and Budgetary Data
 - TFS
 - SGL
 - BOC (3 digit level)
 - Federal Indicators
 - Transaction Partner Codes
 - Covered/Uncovered
 - Direct/Reimbursable

CORE FINANCIAL SYSTEMS (24)



BUREAU DATA





GRANTS MANAGEMENT WITHIN THE DEPARTMENT OF THE TREASURY

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

I. GRANT PROGRAMS

Bureau of Alcohol, Tobacco and Firearms

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

United States Customs Service

The USCS provides grant funding to recipients but does not have authority to award grants to applicants. Unlike other grant issuing bureaus within Treasury, the USCS does not review grant funding applications and then decide which applicants should receive grant funding. The USCS only provides grant funding when specifically directed to do so by the Congress. The USCS has no grant authority unless funds are specifically "earmarked" by Congress in the annual appropriation.

Internal Revenue Service

The IRS Wage and Investment Operating Division administers two grant programs: the Tax Counseling for the Elderly (TCE) Program and the Low Income Taxpayer Clinic (LITC) Grant Program. (In addition, on October 7, 2001, IRS began administering the Student Tax Clinic, which is not a grant but a program.)

Community Development Financial Institutions Fund

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

CDFI administers the following grant programs:

- The CDFI program, which consists of several different components:
 - the Core and Intermediary components provide financial and technical assistance grants directly to CDFI's
 - the Training and Technical Assistance component provided grants to CDFI's to be used to build their capacity
 - the SECA component provides financial and technical assistance grants to smaller CDFI's
- The Bank Enterprise Award (BEA) Program provides financial rewards to financial institutions which invest in CDFI's and provide loans and investments in the distressed communities within their service areas
- The Native American Core Technical Assistance (NACTA) program was also established during FY 2001 and provides training and technical assistance to CDFI's, which service Native American communities.

II. IMPLEMENTING GRANT POLICY REQUIREMENTS

Treasury bureaus adhere to Office of Management and Budget (OMB) and other Government requirements to ensure that grantees are treated consistently.

Bureau of Alcohol, Tobacco and Firearms

Agencies that wish to take advantage of GREAT funding are required to compete annually. ATF posts an announcement in the Federal Register each year during the month of June. Notices are also mailed to all applicants who have applied for funding in the previous year. In addition, ATF issues a press release to all listed law enforcement agencies. Applications are due two months later in August.

United States Customs Service

The Grant Officer maintains a Federal Grants Management Handbook issued by the Grants Management Advisory Service in order to stay abreast of OMB circulars and other government requirements. The Grant Officer alone is responsible for implementing those requirements.

Internal Revenue Service

Applications for grant awards are solicited each year from qualified organizations in full compliance with OMB Circulars A-110, A-21, "Principles for determining Costs Applicable to Grants, Contracts, and other Agreements with Education Institutions"; A-122, "Cost Principles for Non-Profit Organizations"; and A-133, "Audits of States, Local Governments and Non-Profit Organizations." These and other grant requirements and regulations are part of the program guidelines for each grant program and are incorporated into each grant agreement that is signed by both parties prior to grant funds disbursement.

During the initial screening process, grant applications from each applicant are reviewed to ensure that basic eligibility requirements are met. After this process is completed, applications are then reviewed by a technical evaluation panel that assigns rating/ranking scores or makes recommendations in regards to whether an applicant should receive grant funding. Prior year reports (financial and program) are also reviewed from current grant recipients to ensure that

they are making sufficient progress in meeting program goals and objectives and to ensure that they are in compliance with all of the grant terms and conditions.

In administering our grants programs, we routinely work with other federal agencies including CDFI and HHS on grant policy matters. We also work with the Department of the Treasury Office of Equal Opportunity Programs and the Department of Justice to meet Title VI requirements. We submit SF 424 (Application for Federal Assistance) forms from grant applicants to the Census Bureau for their use in developing statistical analysis. In addition, the grant program office staff is required to attend grants training and is encouraged participating in various professional groups, such as the National Grants Management Association (NGMA), to keep current on issues affecting federal grants management.

For FY 2002, we will continue with civil rights reporting requirements for all IRS grantees to comply with the Department of Justice regulations. Prior to receiving funding, specific data collection and reporting requirements are required of all grant applicants by the IRS to meet its responsibilities under Title VI.

Community Development Financial Institutions Fund

The CDFI Fund has designed and implemented a grant management system that monitors and ensures awardee compliance with applicable laws, regulations and guidance. The CDFI Fund award process requires that an awardee be compliant with these requirements throughout the entire award process, from initial application through disbursement of CDFI funds. Once an award has been made, periodic awardee financial and performance reporting is used to assess the level of compliance with the related measures included as part of the awardee assistance agreement and also to assess compliance with applicable laws and requirements.

- The CDFI award process begins with all potential awardees completing a comprehensive application. The application requires several certifications of compliance.

If the applicant cannot certify or provide assurance of the requirements above, CDFI will not consider the applicant for an award.

All awardees for CDFI's Core and SECA components must enter into an assistance agreement with the CDFI Fund. Assistance agreements require an awardee to comply with financial and program performance goals and abide by the terms and conditions of assistance, including those assurances and certifications listed above. The assistance agreement provides CDFI with recourse in the event of awardee fraud, mismanagement, or non-compliance with CDFI's regulations or with the terms of the assistance agreement. After the assistance agreement is executed between CDFI and the awardee, the award goes to closing.

Awardees are continually monitored. Prior to any disbursement made by the Fund, the awardee is again checked to ensure that the awardee is not included on any debarment list, that all required financial and performance reports have been received, and that the Compliance and Monitoring Division has not identified any instances of non-compliance.

To ensure that compliance with existing laws and regulations is maintained, CDFI reviews its policies, procedures, and processes to ensure uniformity and adherence to Congressional, OMB, and Treasury mandates. CDFI also participates in a Treasury Department grant workgroup and the Grants Management Committee of the Chief Financial Officer's (CFO) Council. Additional

controls, such as the establishment of a Compliance and Monitoring Division and a Portfolio Committee, serve to ensure adherence to applicable laws and regulations. All of these efforts help to ensure a strong grant management program within CDFI.

III. REVIEWING GRANTEE COMPLIANCE

Bureau of Alcohol, Tobacco and Firearms

All applicants receiving funding are required to attend training with regard to reporting spending and requesting reimbursement.

United States Customs Service

A Grant Officer's Technical Representative (GOTR) is assigned to each grant or cooperative agreement to monitor performance. Financial reports are reviewed by both the Grant Officer and by the CFO Team and the Regulatory Reports Team in Indianapolis. All other program specific requirements are the responsibility of the Grants Officer and, when appropriate, the GOTR.

USCS grantees are required to self-certify as to their compliance with Treasury Directive 32-12, "Restrictions on Lobbying for Federal Grants, Cooperative Agreements, Loans, and Commitments to Insure or Guarantee a Loan," and 31 CFR Part 19.

Internal Revenue Service

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

Community Development Financial Institutions Fund

As part of the award process, CDFI negotiates program and financial performance covenants with all CDFI awardees. Financial covenants relate to the financial soundness of an organization and include information pertaining to net assets, relationship of equity to borrowing, and the number of months of cash on hand. Performance measures vary with each awardee but generally relate to the proposed increase in the awardee's lending and investing activities.

Awardees are to report on their financial and program performance periodically, and CDFI has an active program to review and analyze this information.

Treasury's Office of Inspector General (OIG) has just recently commenced a review of CDFI's compliance and monitoring process. This is the first review conducted by the OIG of CDFI operations. Their report has not yet been issued.

IV. AUDITS OF GRANT AWARDEES

United States Customs Service

Due to the low dollar value of their total Federal grant awards, audits under the Single Audit Act have generally not been required or performed on USCS grantees. Furthermore, the USCS is not the cognizant audit agency for any grantee, nor does it award grants under the CFDA. The USCS has not yet had occasion to receive an audit report in relation to any of its grants that have been made in recent years.

Internal Revenue Service

If grantees expend \$300,000 or more a year in Federal awards, they must provide IRS with a copy of the results of the audit performed in compliance with Circular A-133.

Grantees which meet this criteria must arrange for an audit by an independent auditor in accordance with the Government Auditing Standards developed by the Comptroller General of the United States. Grantees who expend less than \$300,000 per year in total Federal awards are not required to fulfill the audit requirements listed above; however, the IRS has the right to audit expenditures of grant funds regardless of the dollar amount of federal funding received by the grantee.

Community Development Financial Institutions Fund

CDFI requires all non-profit awardees to submit annual financial reports in accordance with OMB Circular A-133. In accordance with Circular A-133, all non-profit awardees disbursing \$300,000 or more in CDFI awards are required to submit an annual financial report. CDFI reviews these financial reports for completeness and identifies any reportable conditions noted by the auditors, as explained below. In addition, once an award has been approved, the awardee and CDFI negotiate certain financial and program performance measures that must be achieved by the awardee each year in order to be considered in compliance with its assistance agreement.

- All awardees are required to submit unaudited semi-annual and audited annual financial statements (A-133 financial reports for non-profit awardees).

CDFI's review of the A-133 statements is summarized in a report that identifies all deficiencies. If the report notes any deficiencies, the awardee is given an opportunity to take corrective action. Failure to comply with Circular A-133 reporting requirements is grounds for withholding CDFI award disbursements. CDFI's Compliance and Monitoring Division monitors awardee compliance with Circular A-133.

V. GRANT PAYMENT SYSTEMS

Bureau of Alcohol, Tobacco and Firearms

ATF is planning to implement a grants management system as a component of the financial management system. At this time it is anticipated that ATF's grants administration system will use FMS's ASAP system for disbursing grant payments. Requirements and needs are currently being examined, and a timetable for implementation is being developed.

United States Customs Service

The USCS does not utilize program-specific grant systems that are duplicative, and no new program-specific systems are planned. The USCS already uses HHS' PMS for most grants and makes payment by Treasury check for the remainder of its grants.

Internal Revenue Service

For FY 2001, the IRS completed its execution of an interagency agreement with HHS to have grant recipients use HHS's PMS for financial management and disbursement of funds to grantees.

Community Development Financial Institutions Fund

During FY 2000, CDFI investigated the two grant payment systems designated by the GCFOC and determined that HHS's PMS appeared to be a better fit for CDFI's grant programs. This system was implemented during FY 2001 on a pilot basis whereby it was to be used to make all payments under CDFI's FY 2000 BEA program. Through September 30, 2001, approximately 76 percent of the FY 2000 BEA awards had been disbursed.

The PMS is of significant benefit to those grant programs with the following terms:

- numerous disbursements are to be made under the terms of the grant, so that awarding agency costs in setting up the grant, and the awardee's costs in learning and accessing the system, have the greatest benefit
- there is no requirement that disbursements be approved by the awarding agency prior to disbursement

Neither of these benefits relates to grants made by CDFI. For approximately 80 percent of all BEA awardees, there are only one or two grant disbursements made. The corresponding percentage for all CDFI program awards is greater than 50 percent. Accordingly, most awardees will not be familiar enough with use of the PMS to be able to draw down their funds without assistance by CDFI personnel, which serves to increase the cost of making these payments and results in delays.

More significantly, however, is the fact that CDFI policies require the approval of every disbursement prior to an awardee being able to draw down its funds. This review is required in order to ensure that the awardee has met the terms of its assistance agreement prior to funds being disbursed. However, this additional requirement makes the PMS unsuitable for CDFI grant disbursements because it requires significant manual intervention in order for an awardee to receive its disbursement. Manual processes take additional time, inject an additional potential for error into the process, and result in delays in payments.

As a result of the above, there have been several instances where awardees have not drawn down their funds for several months after approval. This situation rarely occurred when CDFI used its previous system. Two reasons have been provided for this: (1) the awardee is unfamiliar with the system (note that it can be difficult to obtain familiarity with this system if an awardee only needs to access it once or twice to completely draw down its funds); and (2) awardees often claim that they either have not received their fax from CDFI or have not received their instructions from HHS for accessing the PMS.

In addition to the above, there is a process required to ensure that transactions recorded by the PMS are entered into CDFI's accounting system. This requires that information from a HHS

web site relating to monthly financial transactions be downloaded and provided to our accounting office, which then manually enters the information into the accounting system.

We believe that due to the differences between CDFI's disbursement requirements and the requirements of other grant-making agencies, the two GCFOC-mandated disbursement systems will not meet the needs of CDFI or its awardees. As a result of the above, CDFI has decided to use its existing payment system for its current and prior awards (with the exception of the FY 2000 BEA disbursements, which will continue to be made using PMS). We believe that our current system results in more prompt payments to our awardees, with far less involvement on the part of our awardees, and with less potential for error and delay. For the reasons cited above, CDFI will be requesting a waiver from using one of the two GCFOC-mandated grant payment systems.

VI. PROPOSED CHANGES TO LAWS AND STATUTES

Community Development Financial Institutions Fund

At this time, CDFI does not anticipate requesting revision of any existing laws or statutes. CDFI management constantly reviews existing laws, statutes, and policies. These periodic reviews are done to ensure and improve the effectiveness, performance, coordination, and accountability of the CDFI grants management program. Should it become necessary to change any law or statute in the future, CDFI management, legislative, and legal staff will work to address any required amendments.