
**U. S. Department of the Treasury
Financial Management Service**

Strategic Plan

*For Fiscal Years
2003-2008*

*August 29, 2003
Draft*

PREFACE

The Financial Management Service (FMS) is a bureau of the United States Department of the Treasury. FMS performs many of the fundamental cash management functions that were delegated to Treasury when Congress created the Department in 1789. FMS' main business lines are payments, collections, debt collection, and governmentwide accounting.

FMS' workforce is comprised of approximately 2,100 people in the Washington, D.C. metropolitan area and at four Regional Financial Centers located in Austin, Texas; Kansas City, Missouri; Philadelphia, Pennsylvania; and San Francisco, California and one Debt Collection Center located in Birmingham, Alabama.

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Mission

The Financial Management Service mission is to provide central payment services to Federal program agencies, operate the Federal Government's collections and deposit systems, provide governmentwide accounting and reporting services, and manage the collection of delinquent debt.

Strategic Goals**Goal 1**

Provide Federal payments timely and accurately, move toward an all-electronic Treasury for payments, and determine the optimal payment processing environment for the future.

Goal 2

Provide timely collection of Federal Government receipts, at the lowest cost, through an all-electronic Treasury.

Goal 3

Maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services.

Goal 4

Produce accurate, accessible, and timely governmentwide financial information and reports which contribute to improved quality of the Nation's financial decision making.

Goal 5

Facilitate the achievement of a clean audit opinion on the *Financial Report of the U.S. Government* through FMS' internal operations and support to Government agencies.

Goal 6

Establish policies and processes to facilitate the integration of e-commerce technologies into FMS' business programs and infrastructure.

FMS had identified a series of cross-cutting objectives and strategies that support our business activities and form the core components for each FMS goal. These objectives and strategies are listed below. The objectives and strategies that are more closely associated with a specific goal are reiterated in this plan as appropriate. The remaining cross-cutting objectives and strategies are listed only in this section of the plan and support all FMS goals.

Cross-Cutting Objectives

1. To increase the percentage of Federal payments made electronically.
2. To increase the percentage of Federal receipts collected electronically.
3. To increase the amount of delinquent debt collected.
4. To strengthen Federal financial management by improving the quality, timeliness, accuracy, delivery and integrity of Government financial information and reporting.
5. To facilitate the development of a knowledgeable Federal financial community.
6. To promote and expand the use of electronic commerce technologies within the Federal financial community.
7. To deliver quality products and services that are responsive to customers' needs.
8. To increase program efficiencies and reduce reporting and operational burdens by converting paper-based processes to electronic processes and by using new technologies.
9. To provide information products and services to customers and stakeholders in a safe and secure environment.

Cross-Cutting Strategies

1. Provide incentives and reduce barriers for customers to increase use of electronic payments and collections.
2. Use sound management practices to oversee IT investments and ensure they operate in a

secure environment.

3. Maximize Internet business activity.
4. Provide agencies with easy and secure access to FMS systems and information.
5. Increase agencies' knowledge of financial management and accounting.
6. Minimize redundant operations and systems.
7. Work collaboratively with Federal, state and local agencies to identify issues and opportunities to improve financial management.
8. Support and fund pilots and prototypes to quickly assess emerging technologies and approaches and to evaluate the business case.
9. Provide incentives and reduce barriers for stakeholders to take action in support of improved accounting, cash management and debt collection.
10. Take a leadership role to identify and resolve issues even though responsibility may be shared with other agencies.
11. Serve as a model for other Federal agencies by providing good financial management and maintaining effective internal controls.
12. Foster a learning organization with a supportive work environment where all employees can maintain the knowledge, skills, and tools to succeed and are valued and respected for their shared contributions.
13. Recruit and develop quality employees from diverse backgrounds to ensure the continued success of FMS' current and future programs and activities.
14. Provide timely and accurate cost accounting data and performance information to aid in decision making.

Strategic Goal 1

Provide Federal payments timely and accurately, move toward an all-electronic Treasury for payments, and determine the optimal payment processing environment for the future.

The Financial Management Service (FMS) disburses 85 percent of the Federal Government's payments to a wide variety of recipients, such as those who receive Social Security, Internal Revenue Service (IRS) tax refunds, and veterans' benefits. In FY 2002, FMS issued nearly 922 million non-Defense payments, with a dollar value in excess of \$1.6 trillion. Approximately 73 percent of these transactions were issued by electronic funds transfer (EFT), an increase of 1 percent over FY 2001. The remainder of FMS' payments are disbursed by check.

Key Partners in Achieving this Goal Include: Federal Program Agencies (FPAs), recipients of Federal payments, consumer and community-based organizations, Government vendors, the Federal Reserve System, financial institutions, Congress, Office of Management and Budget, General Accounting Office and the National Treasury Employees Union.

Description of the Starting Point in the Current Year

FMS continues to expand the use of electronic media to deliver Federal payments, improve service to payment recipients, and reduce Government program costs. These efforts help decrease the number of paper checks issued and minimize costs associated with postage; lost, stolen, and misplaced checks; and, inefficiencies associated with the non-electronic delivery of benefits. Currently three out of four benefit payments and virtually all Federal salary payments are made electronically. Vendor and miscellaneous payments made by EFT are continuing to increase and in FY 2002 were made at a rate of 55 percent and 54 percent, respectively.

FMS has undertaken efforts to modernize its payment systems, incorporating new technologies and the Internet. The Secure Payment System (SPS) replaces the Electronic Certification System, which has reached technological obsolescence. SPS is the cornerstone of the payments process in which agencies certify the accuracy, validity and legality of their payments. SPS provides a significant technological upgrade that is more efficient, more user friendly and web accessible while providing greater integrity and security to the payments process. FMS will roll-out SPS to the program agencies in FY 2004.

FMS continues to expand the Stored Value Card (SVC) program, especially with the Department of Defense (DoD). SVCs are issued to employees, military service members, contractors and others at military locations and ships at sea. The SVC program eliminates coin and currency in circulation at military bases, thus reducing float and eliminating the cost of securing, transporting and accounting for cash held outside the Treasury. Stored value cards are used at all military

basic training sites in the United States and at Army bases worldwide. FMS and DoD plan to expand the SVC program from eight Navy ships to all the ships at sea over the next few years. Since the program's inception in 1997 through June of 2003, over 1.4 million SVCs have been issued with approximately \$300 million loaded onto the cards. FMS is the largest issuer of SVCs in North America.

Our Approach to Achieving the Goal

FMS will continue to concentrate efforts on converting remaining check payments to EFT. FMS is working with the Federal Reserve and Social Security Administration on initiatives involving EFT research, marketing and education campaigns. This research will provide data about the reasons people choose to receive checks and what would encourage them to move to electronic payments. "Check into EFT" is an initiative to develop a nationwide marketing and education campaign to promote the use of electronic payments.

As a result of this research, FMS will explore new incentives and options for making electronic payments, such as the issuance of pre-paid cards that do not require the payment beneficiary to establish a bank account. These pre-paid cards would enable federal payment beneficiaries to access their benefits through ATMs or Point-of-Sale machines.

To increase the number of vendor and miscellaneous payments made electronically, FMS is testing a new prototype payment system - - the Internet Payment Platform (IPP). The IPP is a new web-based payment application that involves a data warehouse containing rich, detailed information associated with the payment. The IPP captures and consolidates data from various systems into one, central location and makes the information available to any party to the transaction at any point in the payment processing cycle. The IPP offers great potential for converting large volumes of vendor and miscellaneous checks to electronic payments since remittance information could be associated with each payment that cannot be done currently using the EFT/Automated Clearing House (ACH) systems.

FMS' Federal Finance and Regional Operations program offices work together to maintain FMS' leadership role in the ACH and continue efforts to upgrade and expand applications for the Automated Standard Application for Payments (ASAP), which is one of two grants payment systems approved for use by Federal civilian program agencies. A new, web-based ASAP.gov will be rolled out to agencies and grantees over the next two years.

FMS will also identify opportunities to improve service to customers by reducing FMS processing time for larger program agencies such as the Social Security Administration and the IRS; and re-engineering the process to expedite credits for canceled and returned payments.

FMS is in the process of developing and designing a new system to replace the outdated Check

Payment and Reconciliation System (CP&R) with the Treasury Check Information System (TCIS). TCIS will be designed by the Federal Reserve Bank acting as our fiscal agent and will be a web-based application that uses COTS software for process flow, accounting, reconciliation and reporting functions for all Treasury checks that are issued and paid. TCIS will change the way our claims activities are handled, resulting in a more streamlined and efficient process. TCIS is being developed to be FMS' future centralized payments data warehouse that will store information on the status and disposition of all disbursed payments, both check and EFT.

FMS will stay abreast of the latest development in check truncation. FMS has been a leader in fostering check conversion and truncation of payments made to the Federal Government. The financial services industry is now strongly supporting the move to check truncation, which will significantly streamline the clearance and settlement of checks, resulting in the elimination of paper and provide potential cost savings. Check Truncation would allow banks to convert paper checks to electronic checks with equivalent legal status. This has the potential to significantly change the way Treasury checks are cleared and settled through the banking system and how check claims and counterfeit and forgery cases would be processed. Our TCIS system is being developed with the flexibility and robustness to handle check truncation. FMS stands ready to implement regulatory changes over Treasury check processing that may be needed once check truncation is fully adopted by the financial services industry.

Objective: To increase the percentage of Federal payments made electronically.

Strategies: To achieve this objective, FMS will:

- Provide incentives and reduce barriers for customers to increase use of electronic payments and collections.
- Use sound management practices to oversee IT investments and ensure they operate in a secure environment.
- Support and fund pilots and prototypes to quickly assess emerging technologies and approaches and to evaluate the business case.

Objective: To promote and expand the use of electronic commerce technologies within the Federal financial community.

Strategies: To achieve this objective, FMS will:

- Provide incentives and reduce barriers for customers to increase use of electronic payments and collections.

- Maximize Internet business activity.
- Minimize redundant operations and systems.
- Support and fund pilots and prototypes to showcase improvements in financial management.

Objective: To increase program efficiencies and reduce reporting and operational burdens by converting paper-based processes to electronic processes and by using new technologies.

Strategies: To achieve this objective, FMS will:

- Provide incentives and reduce barriers for customers to increase use of electronic payments and collections.
- Maximize Internet business activity.
- Provide agencies with easy and secure access to FMS systems and information.
- Minimize redundant operations and systems.
- Support and fund pilots and prototypes to quickly assess emerging technologies and approaches and to evaluate the business case.

Key External Factor Affecting Achievement of Goal

- Two major challenges remain in increasing growth in electronic payments. The first challenge is moving Federal check recipients that do not have bank accounts into the financial mainstream--through the use of ETAs' or Direct Deposit. In an effort to increase the use of EFT for federal benefit payments, FMS will work with federal benefit paying agencies to test new approaches and incentives for increasing EFT participation. The second major challenge is increasing the use of EFT to make tax refund payments. This requires significant support and coordination with IRS to achieve a significant increase in this area. Strong public outreach and education programs in both areas will be critical to success in increasing electronic payments.

Strategic Goal 2**Provide timely collection of Federal Government receipts, at the lowest cost, through an all-electronic Treasury.**

The Financial Management Service (FMS) is responsible for administering the world's largest collections system, collecting over \$2.2 trillion annually through a network of more than 10,000 financial institutions via both electronic and paper-based mechanisms. The Federal Government's collection activities center around three major groups: (1) individuals, (2) businesses/ institutions, and (3) other Federal entities. FMS develops and implements collections policies and procedures for the Federal Government, facilitates efficient collections by designing and administering state-of-the-art collection systems, and promotes electronic collections to Federal program agencies.

FMS' collection of Federal revenues include individual and corporate income tax deposits, customs duties, loan repayments, fines, and proceeds from leases. Each year, more than \$1.5 trillion of taxes are collected, primarily through the Electronic Federal Tax Payment System (EFTPS). EFTPS is a tax payment system that offers businesses and individuals the convenience of making their federal tax payments electronically 24 hours a day, 7 days a week, instead of using paper coupons. EFTPS is one of many electronic alternatives being offered by Treasury to provide business and individual taxpayers with an efficient approach to managing tax dollars and information.

Key Partners in Achieving this Goal Include: Federal Program Agencies, the Federal Reserve System, Financial Institutions, Congress, Office of Management and Budget, General Accounting Office, and the National Treasury Employees Union.

Description of the Starting Point in the Current Year

In FY 2002, FMS collected over \$2.2 trillion through its various collection mechanisms (both electronic and paper). The majority (79 percent) was collected electronically through the EFTPS, Pay.gov, Online Paper Check Conversion and other electronic mechanisms. The remaining amount (21 percent) was collected through paper-based mechanisms (Lockboxes, Treasury General Accounts, and Federal Tax Deposits). As of June 30, 2003, more than 4.2 million taxpayers are enrolled in EFTPS; however, an estimated 4.6 million taxpayers still using paper tax coupons and checks, as well as approximately 10.5 million individuals who make more than one payment a year by coupons and checks.

During FY 2002, FMS established a new organization dedicated to providing oversight of the security of lockboxes and other collection systems operated by Treasury's Financial Agents.

Our Approach to Achieving the Goal

FMS continues to move towards an all-electronic Treasury for the collection of Federal Government receipts. EFTPS is a priority focus in our efforts to increase electronic collections. FMS, working together with IRS, will actively promote the use of EFTPS On-Line which is the newest, web-base electronic payment option. Since the implementation of EFTPS On-line in September 2001 through June 2003, approximately 180,000 enrollments and \$106 billion in collections have been processed over this Internet application. FMS and IRS will also be working on other initiatives to increase the use of EFTPS such as (1) changing processes so that EFTPS is the preferred method for businesses to make their tax payments, (2) allowing individuals to make tax payments on-line without having to enroll in EFTPS, (3) streamlining the payment and enrollment process for business taxpayers (4) eliminating regulatory barriers that will encourage more businesses to use EFTPS, and (5) expanding marketing and outreach to tax professionals and the small business community. In addition, FMS will continue to conduct research that will guide it in designing enhancements to EFTPS that meet taxpayer needs and effectively market EFTPS to both individual and business taxpayers.

FMS will continue to roll out Pay.gov to Federal agencies and their customers. Pay.gov is a secure governmentwide collections portal that has the potential to convert 80 million transactions totaling \$125 billion a year from paper processes to electronic payments and on-line forms processing. Pay.gov offers a suite of four services to agencies - - collections, forms presentment/submittal, user authentication, and centralized financial reporting. The authentication service provides a knowledge-based authentication of individuals conducting financial and non-financial transactions with the federal agencies. This knowledge-based authentication process (verification engine) will connect with the Federal Government's E-Authentication Gateway and will facilitate the delivery of electronic services to taxpayers in a secure and easy to use manner.

FMS will also continue to explore methods for reducing the costs of its banking services by promoting the use of less expensive electronic mechanisms and implementing new techniques to expedite the collections process. FMS is working to improve the efficiency of the lockbox system used to support processing of collections with such services as Paper Check Conversion at lockbox sites and document imaging services. FMS will continue to provide incentives for Federal program agencies to use more efficient and cost-effective collection techniques.

Objective: To increase the percentage of Federal receipts collected electronically.

Strategies: To achieve this objective, FMS will:

- Provide incentives and reduce barriers for customers to increase use of electronic payments and collections.

- Maximize Internet business activity.
- Provide agencies with easy and secure access to FMS systems and information.
- Support and fund pilots and prototypes to quickly assess emerging technologies and approaches and to evaluate the business case.

Objective: To promote and expand the use of electronic commerce technologies within the Federal financial community.

Strategies: To achieve this objective, FMS will:

- Provide incentives and reduce barriers for customers to increase use of electronic payments and collections.
- Maximize Internet business activity.
- Minimize redundant operations and systems.
- Support and fund pilots and prototypes to showcase improvements in financial management.

Objective: To increase program efficiencies and reduce reporting and operational burdens by converting paper-based processes to electronic processes and by using new technologies.

Strategies: To achieve this objective, FMS will:

- Provide incentives and reduce barriers for customers to increase use of electronic payments and collections.
- Maximize Internet business activity.
- Provide agencies with easy and secure access to FMS systems and information.
- Minimize redundant operations and systems.
- Support and fund pilots and prototypes to quickly assess emerging technologies and approaches and to evaluate the business case.

Key External Factor Affecting Achievement of Goal

- Accomplishing a significant increase in this area requires moving major tax payment types to EFT--such as estimated taxes and other current paper-based tax collections. Coordination with IRS, the small business community, and tax professionals is a critical factor. Partnership with the federal agencies is essential in order for them to use the electronic collection tools available, especially Paper Check Conversion and Pay.gov.

Strategic Goal 3**Maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services.**

The Debt Collection Improvement Act of 1996 (DCIA) and other statutes provide the tools for administering a centralized program for the collection of delinquent tax and non-tax debts. The Financial Management Service (FMS) is charged with implementing the Government's delinquent debt program and does so through two main components: the Treasury Offset Program (TOP) and the Cross-Servicing Program.

TOP is a centralized offset program developed by FMS. TOP is designed to assist Federal program agencies (FPAs) and states in the collection of delinquent debts such as Federal non-tax debts, certain Federal tax debts, state tax debts, and child-support obligations. FMS maintains a database of delinquent debtor records referred from FPAs and states. TOP enables the matching of these delinquent debtor files against payment files. When a match occurs, the payment is intercepted and offset up to the amount of the debt.

Cross-Servicing is the centralized debt collection process that manages delinquent debts referred from Federal program agencies through the use of a variety of debt collection mechanisms, such as issuing demand letters; executing repayment agreements; referring accounts to TOP for administrative offset; referring debts for collection to Private Collection Agencies and the Department of Justice; reporting debts to credit bureaus; initiating administrative wage garnishment (AWG); and reporting to the IRS, as income, debts that have been closed out.

In January 2003, FMS implemented a new system, called "Debt Check", that will enable credit agencies to identify delinquent debtors who apply for federal loans and loan guarantees.

Key Partners in Achieving this Goal Include: Federal Program Agencies, states, Federal Reserve System, Department of the Treasury, Congress, Federal Credit Policy Working Group, Chief Financial Officers' Council, Private Collection Agencies, Office of Management and Budget, General Accounting Office and the National Treasury Employees Union.

FMS will focus on establishing and maintaining alliances with customer agencies and stakeholders that promote effective debt collection policies and procedures. FMS will also focus on establishing and maintaining ongoing dialogues with the above partners and stakeholders concerning significant policy issues and status of the program.

Description of the Starting Point in the Current Year

Since the passage of the DCIA in 1996, FMS has been extremely successful in developing and executing plans to lay a strong foundation for the debt management program. FMS' debt

management program has provided exceptional leadership across Government and significantly increased the collection of delinquent debt. Through July 2003, FMS had collected a total of \$18.1 billion of delinquent debt. Of this amount, \$17.8 billion was collected through TOP and over \$331 million through Cross-Servicing.

The improvements and achievements in the debt collection program are the result of outstanding cooperation and collaboration across multiple levels of Governments – Federal, state and local. The program is also a model of effective public sector – private sector partnership since private collection agencies and credit reporting bureaus play a key role.

Major accomplishments of the debt collection program include adding continuous tax levy to the Treasury Offset Program, which continues to significantly increase collections each month; implementing the program to collect delinquent state tax debt; fully implementing the Social Security benefit payment offset portion of TOP, which has significantly increased offset collections; implementing salary offset; creating the Debt Check system which allows agencies to determine if an applicant for Federal assistance owes a delinquent debt to an FPA; and issuing the regulation to enable federal program agencies to garnish private sector wages (i.e., administrative wage garnishment). FMS has issued numerous regulations on debt collection and will continue to propose legislation to simplify, clarify and improve the Government's and FMS' effort in debt collection. FMS plans to build on this foundation to continue to increase the collection of debts owed to the Government.

Our Approach to Achieving the Goal

The primary objectives of debt collection services in the next few years are to: (1) effectively utilize all available Cross-Servicing tools, especially administrative wage garnishment, to maximize the collection of delinquent debt owed to the Government; (2) continue to expand the offset program, incorporating additional payments and debts (i.e., centralized salary offset, non-treasury disbursed payments) to support delinquent debt collection; (3) assisting agencies in barring delinquent debtors from obtaining federal loans and loan guarantees; and, (4) increase the early referral of eligible, legally enforceable debts for the offset and cross-servicing systems.

FMS will provide support and assistance to help federal agencies implement Administrative Wage Garnishment (AWG). This collection tool has enormous potential since it allows private collection agencies to garnish private sector wages of delinquent debtors to collect agency debts. The use of AWG through Treasury's cross-servicing programs will enable agencies to take advantage of FMS' centralized processes and established safeguards.

FMS is working closely with the payroll providers that were selected as part of the E-Payroll initiative so that they all participate in our centralized Federal salary offset program. In addition, FMS will work with creditor agencies to ensure that their eligible debts are subject to salary

offset.

FMS will continue to rollout the offset of non-Treasury disbursed payments, which is a new element of our debt collection program that was started in early 2003. Under this new initiative, Federal non-tax and tax debts owed by vendors will be collected by offsetting or levying payments disbursed by agencies other than Treasury (e.g. Department of Defense, U.S. Postal System, the Courts system).

Barring delinquent debtors from obtaining new federal loans and loan guarantees is a key priority for the debt collection program. In January 2003, FMS unveiled a new system, Debt Check, that allows lending agencies to access information from the FMS delinquent debtor database for use in their credit screening process so that new Government loans are not made to delinquent debtors. FMS will rollout Debt Check to credit agencies over the next few years.

Debt collection is a critical factor in improving financial performance which is part of the President's Management Agenda initiatives. The debt collection program has an impact on agency fiscal operations, the economical stewardship of taxpayers' dollars and the integrity of important federal programs, such as student loans and benefit payment programs. FMS will be working with agencies, OMB, GAO and agency Inspectors General to place an increased emphasis on ensuring that accounts receivable balances that agencies report to Treasury on a quarterly basis tie directly to their financial statements.

Objective: To increase the amount of delinquent debt collected.

Strategies: To achieve this objective, FMS will:

- Maximize Internet business activity.
- Provide agencies with easy and secure access to FMS systems and information.
- Minimize redundant operations and systems.
- Provide incentives and reduce barriers for stakeholders to take action in support of improved accounting, cash management and debt collection.
- Work collaboratively with Federal, state and local agencies to identify issues and opportunities to improve financial management.

Objective: To provide information products and services to customers and stakeholders in a safe and secure environment.

Strategies: To achieve this objective, FMS will:

- Provide agencies with easy and secure access to FMS systems and information.
- Minimize redundant operations and systems.
- Support and fund pilots and prototypes to quickly assess emerging technologies and approaches and to evaluate the business case.

Key External Factors Affecting Achievement of Goal

- FMS has worked hard to have agencies refer eligible debt in a timely manner. For both payment offset and cross-servicing, 93 percent of eligible debt had been referred in FY 2002. However, FMS still relies heavily on the willingness of agencies to refer debts to FMS for offset and cross-servicing, and on States to participate in administrative offset under the State Tax Debt Program. Once debts are referred, FMS must rely on the accuracy and reliability of agency debt collection systems and records to ensure that referred debts are valid and legally enforceable. To date, more than \$147 million in referred debt has been resolved through FMS' administrative debt resolution process, thus assisting the Government in writing off debt that was otherwise being reported as collectible.
- Other barriers to implementing the DCIA are: incompatible systems between FMS and agencies, identifying and validating extremely old debt (some of which should be written-off and closed out), unique statutory constraints on certain agencies, and additional education on the program for agencies, states, and the public. Through its agency liaison efforts, FMS is continuing to address these issues.

Strategic Goal 4**Produce accurate, accessible, and timely governmentwide financial information and reports which contribute to improved quality of the Nation's financial decision making.**

The Financial Management Service (FMS) provides financial accounting and reporting services for the Government-at-large. FMS oversees the Federal Government's central accounting and reporting system, keeping track of its monetary assets and liabilities and its receipts and outlays. FMS also works with federal agencies to adopt uniform accounting and reporting standards and systems. FMS gathers and publishes governmentwide financial information that is used in establishing fiscal and debt management policies and also used by the public and private sectors to monitor the Government's financial status. These publications include: the *Daily Treasury Statement*, the *Monthly Treasury Statement*, the *Treasury Bulletin*, the *Combined Statement of Receipts, Outlays, and Balances of the United States Government*, and the *Financial Report of the United States Government*. In this capacity, FMS oversees and accounts for a daily cash flow in excess of \$50 billion.

FMS is building and implementing a system to improve the exchange of financial information among FMS, Federal Program Agencies (FPAs), Office of Management and Budget (OMB) and the banking community. Once completed, this Governmentwide Accounting (GWA) Modernization Project will comprehensively replace current governmentwide accounting functions and processes that are both internal and external to FMS. It will improve the reliability, usefulness and timeliness of the Government's financial information, provide FPAs and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies. In addition, FPAs will have better tools for reporting financial information and access to daily account statements for monitoring the status of their financial information at the Treasury.

Key Partners in Achieving this Goal Include: FPAs and financial institutions that are responsible for submitting accurate financial data. An interagency Governmentwide Accounting Advisory Group with representatives from major program agencies, OMB, the General Accounting Office (GAO) and the Federal Reserve provide continuous input and guidance to FMS in restructuring the basic framework of the central accounting and reporting processes. The Standard General Ledger Board, consisting of representatives from the Chief Financial Officer (CFO) agencies, provides oversight and approval of all U.S. Standard General Ledger activities. FMS chairs the Board and provides most of the necessary resources to accomplish the Board's charter. Key partners also include Congress, the Open Market Desk of FRB New York and the National Treasury Employees Union.

Description of the Starting Point in the Current Year

During Fiscal Year (FY) 2002, the Government's cash position, budget surplus, and deficit

information were reported on schedule and accurately 100 percent of the time. FMS issued the FY 2002 Consolidated Financial Report of the U.S. Government on March 31, 2003, which is the required statutory due date. OMB is requiring agencies to issue their FY 2004 financial statements by November 15, 2004, 45 days after the fiscal year-end, and FMS subsequently will accelerate the issuance of the FY 2004 Financial Report to December 15, 2004. In preparation for the accelerated timeframe for FY 2004, FMS will accelerate the issuance of the FY 2003 Financial Report by at least one month. FMS is developing a new process for preparing the Financial Report to meet the new accelerated timeframe and enhance the integrity of the Report. This accelerated timing will allow adequate time to have the financial statements considered in the budget process. In addition, this process will link agency financial statements to the Financial Report and should eliminate material weaknesses associated with its preparation.

Our Approach to Achieving the Goal

FMS will continue to place increased emphasis on improving the quality, timeliness and integrity of the Federal Government's financial data. This goal will be achieved by accomplishing the day-to-day tasks and responsibilities to: (1) account for and report on the status of the U. S. Government's budget surplus/deficit, "cash position", and financial condition; (2) oversee the maintenance of the U.S. Standard General Ledger; (3) develop a seamless process for consolidating agency financial statements into the Financial Report of the United States Government; and, (4) provide agencies with "one-stop" access to accounting information.

FMS is updating the systems and processes used to perform governmentwide accounting and reporting so that financial information to FPAs is provided much earlier than what is available currently. Beginning in January 2003, FMS began a phased process of requiring agencies to accelerate their month-end reporting to Treasury. The ultimate reporting requirement commencing in FY 2004 is for agencies to submit their final month-end reports, with no corrected or supplemental reporting, by the third business day after the month-end closure. This accelerated reporting will enable FMS to provide agencies with their trial balances and other financial data a week earlier than today. In conjunction with other improvements resulting from the GWA Modernization Project, program agencies will realize significant benefits from reduced reporting burdens and earlier, easier access to more useful information.

The next significant milestone of FMS' GWA modernization project is to provide FPAs access to their financial data through an Internet Web-based system. Using this system, FPAs will be able to obtain an account statement of their Fund Balance with Treasury within 24 hours after submission of their month end accounting data. Currently, FPAs cannot obtain this data until the 10th workday following the end of each calendar month. Projected completion of this milestone is October 2003. As additional system releases are implemented, the Account Statement will be available on a daily basis.

As part of the GWA modernization project, agencies will be required to report the Treasury Account Symbol (TAS) associated with their payment and collection transaction at the initiation of the transaction. This will require agencies to change their business processes and financial systems in order to capture and report the TAS at the outset of a transaction. In addition, FMS will need to modify its feeder systems which link its central accounting system without imposing any additional data collection and reporting requirements on program agencies.

FMS will also be developing an XML reporting process that will standardize the definitions, terms and reporting of Federal accounting transactions. This will result in more streamlined and accurate reporting as well as reduce costs for maintaining the U.S. Standard General Ledger chart of accounts.

Objective: To strengthen Federal financial management by improving the quality, timeliness, accuracy, delivery and integrity of Government financial information and reporting.

Strategies: To accomplish this objective, FMS will:

- Provide agencies with easy and secure access to FMS systems and information.
- Work collaboratively with Federal, state and local agencies to identify issues and opportunities to improve financial management.
- Provide incentives and reduce barriers for stakeholders to take action in support of improved accounting, cash management and debt collection.
- Take a leadership role to identify and resolve issues even though responsibility may be shared with other agencies.
- Serve as a model for other Federal agencies by providing good financial management and maintaining effective internal controls.

Objective: To facilitate the development of a knowledgeable Federal financial community.

- Provide agencies with easy and secure access to FMS systems and information.
- Increase agencies' knowledge of financial management and accounting.
- Work collaboratively with Federal, state and local agencies to identify issues and opportunities to improve financial management.
- Provide incentives and reduce barriers for stakeholders to take action in support of

improved accounting, cash management and debt collection.

- Serve as a model for other Federal agencies by providing good financial management and maintaining effective internal controls.

Objective: To deliver quality products and services that are responsive to customers' needs.

Strategies: To accomplish this objective, FMS will:

- Provide agencies with easy and secure access to FMS systems and information.
- Minimize redundant operations and systems.
- Work collaboratively with Federal, state and local agencies to identify issues and opportunities to improve financial management.
- Serve as a model for other Federal agencies by providing good financial management and maintaining effective internal controls.

Key External Factor Affecting Achievement of Goal

- FMS relies exclusively on the program agencies, financial institutions, and the Federal Reserve Banks to report to FMS the underlying transactions necessary to accomplish its responsibilities. Any changes made in these processes to improve overall reporting will, most likely, require changes in the systems and processes of these organizations.

Strategic Goal 5

Facilitate the achievement of a clean audit opinion on the *Financial Report of the U.S. Government* through FMS' internal operations and support to Government agencies.

In accordance with the Government Management Reform Act, the Financial Management Service (FMS) has responsibility for preparing and publishing the consolidated *Financial Report of the U.S. Government* annually. FMS has been preparing this report each year since FY 1997. The report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and includes activities of the Executive Branch and portions of the Legislative and Judicial Branches of the U.S. Government. By statute, GAO is required to audit and render an opinion on the financial statements. Beginning in FY 2004, the Financial Report will be issued on December 15, two and a half months after the fiscal year-end, as opposed to six months (March 31) in the past.

Key Partners in Achieving this Goal Include: Federal Program Agencies, OMB, GAO, Joint Financial Management Improvement Program, Federal Accounting Standards Advisory Board, Chief Financial Officers' Council, Congress, Federal Reserve System, and the National Treasury Employees Union.

FMS meets on a continuous basis with OMB and GAO to set policy and direction for changing and improving the Financial Report. In that forum, FMS sets priorities and decides on the direction of its efforts for the next accounting year. In addition, FMS works through agency task groups to obtain feedback on any new changes/policies being planned. FMS also provides the CFO Council with any issues that may need to be addressed by that group and informs them of new or emerging issues.

Description of the Starting Point in the Current Year

The FY 2002 Financial Report of the U.S. Government received a disclaimer opinion from GAO. The disclaimer opinion was due to material weaknesses at Federal agencies related to financial systems, record keeping and financial reporting and a material weakness related to the preparing the Financial Report. The material weakness identified as part of the compilation process comes within FMS' purview. Representatives from Treasury, FMS, OMB, and GAO made a series of recommendations to assist in solving the weakness. FMS is carrying out a multi-year effort to implement these recommendations and rebuild the process to prepare the Financial Report. The new process will be used for the FY 2004 Financial Report. Treasury and FMS worked closely with OMB to develop business rules for intragovernmental transactions that will establish standard processes and data elements. The business rules were effective in January 2003. The new preparation process and the business rules will mitigate the identified material weakness.

Our Approach to Achieving the Goal

FMS will continue to work cooperatively with GAO, OMB, and program agencies to eliminate the issues which prevent an unqualified opinion on the *Financial Report of the U.S. Government*. Recognizing that some issues preventing an unqualified opinion are not within FMS' scope to resolve, FMS will nonetheless continue to assist agencies by providing guidance and support and enhancing processes for which it is responsible. FMS is developing a new process for preparing the Financial Report to meet the new accelerated timeframe and enhance the integrity of the Report. When implemented, the new process for preparing the Financial Report and new intra-governmental business rules will mitigate the material weaknesses in the current process.

FMS has also accelerated the reporting of month-end reports from Federal agencies. This accelerated reporting timeframe will allow FMS to provide trial balances and other financial information much earlier than today and will help the agencies meet the November 15, 2004 deadline for issuing their FY 2004 financial statements.

FMS has also provided agencies more detailed information to help them reconcile their intragovernmental transactions with their federal agency trading partners. Beginning with the third quarter of FY 2003, FMS will require agencies to submit information on a quarterly basis related to intragovernmental transactions. FMS will process and synthesize this information and send information back to the agencies on various classes of intragovernmental transactions. This information will assist agencies in reconciling this data on a quarterly basis and should reduce the amount of effort at year-end.

Objective: To strengthen Federal financial management by improving the quality, timeliness, accuracy, delivery and integrity of Government financial information and reporting.

Strategies: To achieve this objective, FMS will:

- Provide agencies with easy and secure access to FMS systems and information.
- Work collaboratively with Federal, state and local agencies to identify issues and opportunities to improve financial management.
- Provide incentives and reduce barriers for stakeholders to take action in support of improved accounting, cash management and debt collection.
- Take a leadership role to identify and resolve issues even though responsibility may be shared with other agencies.
- Serve as a model for other Federal agencies by providing good financial management and maintaining effective internal controls.

Objective: To facilitate the development of a knowledgeable Federal financial community.

Strategies: To achieve this objective, FMS will:

- Provide agencies with easy and secure access to FMS systems and information.
- Increase agencies' knowledge of financial management and accounting.
- Work collaboratively with Federal, state and local agencies to identify issues and opportunities to improve financial management.
- Provide incentives and reduce barriers for stakeholders to take action in support of improved accounting, cash management and debt collection.
- Take a leadership role to identify and resolve issues even though responsibility may be shared with other agencies.
- Serve as a model for other Federal agencies by providing good financial management and maintaining effective internal controls.

Key External Factor Affecting Achievement of Goal

- FMS relies on program agency information for preparing and publishing the *Financial Report of the U. S. Government*. Our success in addressing areas that FMS has taken the lead to resolve is dependent on the quality and timeliness of program agency financial reporting. Improvements made by FMS in the processes for preparing and reporting governmentwide financial statements will most likely affect changes in program agency systems and processes.

Strategic Goal 6**Establish policies and processes to facilitate the integration of e-commerce technologies into the Financial Management Service's infrastructure.**

The Financial Management Service (FMS) is committed to establishing policies and processes to facilitate the integration of e-commerce technologies into its infrastructure. These technologies are constantly evolving, and FMS will continue to keep pace with new developments. Emerging e-commerce technologies have allowed Federal EFT payments- traditionally made via the Automated Clearing House (ACH), the Federal Reserve Fedwire System, and by credit card- to take advantage of stored value cards, electronic checks, electronic cash and the Internet. Likewise, electronic collections tools such as EFTPS and Pay.gov eliminates paper processing while providing better service to citizens.

Key Partners in Achieving this Goal Include: Federal Program Agencies, consumer and community-based organizations, Government vendors, Federal Reserve System, Financial Institutions, Congress, Office of Management and Budget, General Accounting Office, and the National Treasury Employees Union.

Description of the Starting Point in the Current Year

Examples of how FMS has integrated e-commerce technologies into its infrastructure are:

- **Pay.gov** is a government-wide collection portal intended to create a central government-wide infrastructure to process transactions. Launched in October 2000, Pay.gov provides collection, form submittal and bill presentment, authentication and agency financial reporting services, which allows users to complete forms and applications, make payments, and submit queries electronically. As of July 2003, Pay.gov has processed more than 425,000 transactions and has collected more than \$8.5 billion. At full capacity, Pay.gov has the potential to process 80 million transactions totaling \$125 billion each year.
- **Electronic Federal Tax Payment System (EFTPS) On-Line**, launched in September 2001, allows individuals and businesses to pay Federal taxes using Internet technology. In FY 2002, EFTPS On-Line processed more than 120,000 enrollments with collections of approximately \$45 billion. Currently, there are nearly 4.4 million taxpayers enrolled in EFTPS paying \$1.5 trillion in taxes annually. FMS and IRS, in conjunction with the small business community, are working jointly to increase the use of EFTPS.
- **Paper Check Conversion (PCC)** converts paper checks received over the counter or through the mail into electronic debits to the check writer's bank account. PCC is deployed at 28 agencies and additional agencies have signed agreements to participate. FMS is planning to

expand the PCC program to more federal agencies at the point-of-sale or an agency-operated lockbox and to work with agencies currently using PCC to expand the program by increasing their number of locations. From September 14, 2001 through July 30, 2003, PCC has processed over \$220 million and 450,000 transactions.

- **Stored Value Card (SVC)** is a smart card with electronic money stored on the card's embedded computer chip. The SVC program is aimed at reducing the float loss associated with the more than \$2 billion in coin and currency in circulation at military bases, ships at sea, and other Government locations around the world. Through July 2003, 1.4 million SVCs have been issued with over \$300 million loaded onto the cards.

Our Approach to Achieving the Goal

To develop a coordinated Federal electronic commerce strategy, FMS will continue piloting emerging technologies; monitor current and proposed regulatory and legislative actions related to electronic commerce in the public and private sectors; educate and raise the level of awareness of emerging electronic commerce technology among FMS staff through self-directed research and through an electronic commerce news Intranet site; and partner with key stakeholders, such as banking regulatory agencies, financial institutions, and the public to gain an understanding of the impact of electronic commerce on these stakeholders. FMS will carry out its responsibilities under the Government Paperwork Elimination Act by providing policy and guidance to agencies on the use of certificate authorities, public key infrastructures (PKI), and electronic authentication for Federal payment, collection and collateral transactions.

FMS will continue to be at the forefront in using new and emerging technology to conduct our business. FMS has made significant progress toward developing and implementing web-based systems to obtain and provide financial information to our customers and stakeholders, and applying advanced technology such as biometrics, digital signatures, knowledge-based authentication, and public key infrastructure to improve the quality and security of our data. Through its Electronic Money (E-Money) efforts, FMS tests and expands new payment and collection technologies such as the Internet Payment Platform, Pay.gov, EFTPS and other Internet and card technology. FMS has initiated E-Money programs to help Federal agencies modernize their payment and collection activities.

FMS is continuing to develop and document our Business Enterprise Architecture. Our ultimate objective is to reduce the amount of duplicate and redundant data maintained in our various automated systems and to eliminate the development of "stove-pipe" applications in FMS. The result of this project should be fewer automated systems in the future which will reduce development, operations and maintenance costs, reduce reporting burdens on agencies and simplify and streamline customer access to FMS data. The development of the FMS Business Enterprise Architecture will also map to the Federal Enterprise Architecture.

Objective: To increase program efficiencies and reduce reporting and operational burdens by converting paper-based processes to electronic processes and by using new technologies.

Strategies: To achieve this objective, FMS will:

- Provide incentives and reduce barriers for agencies and customers to increase use of electronic payments and collections.
- Maximize Internet business activity.
- Provide agencies with easy and secure access to FMS systems and information.
- Minimize redundant operations and systems.

Objective: To promote and expand the use of electronic commerce technologies within the Federal financial community.

Strategies: To achieve this objective, FMS will:

- Provide incentives and reduce barriers for agencies and customers to increase use of electronic payments and collections.
- Maximize Internet business activity.
- Provide agencies with easy and secure access to FMS systems and information.
- Increase agencies' knowledge of financial management and accounting.
- Work collaboratively with Federal, state and local agencies to identify issues and opportunities to improve financial management.
- Provide incentives and reduce barriers for stakeholders to take action in support of improved accounting, cash management and debt collection.

Objective: To provide information products and services to customers and stakeholders in a safe and secure environment.

Strategies: To achieve this objective, FMS will:

- Use sound management practices to oversee IT investments and ensure they operate in a secure environment.
- Maximize Internet business activity.
- Provide agencies with easy and secure access to FMS systems and information.
- Support and fund pilots and prototypes to quickly assess emerging technologies and approaches and to evaluate the business case.

Key External Factor Affecting Achievement of Goal

- Executive and Legislative agencies must balance the need to develop user-friendly Internet sites with the need to ensure that these Federal websites are secure and that sensitive information is protected.

Appendix A FMS Long Range Strategic Performance Goals/Measures

As part of FMS' strategic direction, we have identified several long-term goals/measures and have developed associated targets for each goal/measure. This effort establishes outyear targets and provides additional guidance/direction to the entire organization. These long-term goals/measures support major mission activities. As we continue through the period covered by this plan, these goals/measures may be revised and/or changed as a result of business environment changes. The targets listed in this appendix are set for 2010.

Payments

Ninety percent of all payments will be made electronically.

Collections

Ninety percent of the dollar amount of all collections will be made electronically

Sixty percent of all collection transactions will be made electronically.

Debt Collection

There will be \$3.5 billion dollars collected annually from delinquent debt referrals.

Governmentwide Accounting and Reporting

Federal Program Agencies will have simplified and streamlined access to FMS' central (governmentwide) accounting information through a single access point.

All central (governmentwide) accounting information will be available within twenty-four hours/one business day of the transaction.

Appendix B FMS' Strategic Management Process

Planning, Budgeting and Reporting

FMS' strategic management process reflects the vision of the Commissioner and the FMS senior management team and engages the executive level planning team in a continuous planning effort. This continuous effort focuses on evaluating the nature of the business; articulating a futuristic vision for how FMS business will be conducted; defining long-term goals; developing realistic objectives and strategies to reach those goals; aligning those goals and objectives with our budget and with Department of the Treasury's Strategic Plan; establishing performance measures; and allocating resources appropriately to carry out the goals, objectives and strategies. This effort embodies inclusiveness and participation from FMS managers, employees, customers and stakeholders. Accountability for the strategic plan is two-fold: 1) tactical or action level plans that are in alignment with the strategic plan; and 2) Senior Executive Service Performance Plans.

Set strategic goals and priorities for the long-term. FMS' Strategic Plan sets goals, objectives and strategies to guide the entire organization. It also serves as the baseline for the development of tactical or action level plans, performance goals, annual plans, and budget initiatives. As with all other Government agencies, FMS operates in an environment (e.g., political, economic, social) that is constantly changing. These changes may affect FMS' ability to meet its goals and objectives. As a result, FMS' Strategic Plan includes descriptions of the external factors that may affect our ability to achieve our goals.

Set annual performance targets. FMS has formatted its budget submission to serve as both a budget request and as the Government Performance and Results Act (GPRA) performance plan. The performance goals included in the budget submission drive program decision-making and serve to justify the resource request. We derive the performance goals and targets presented in the budget justification from the strategic goals presented in the strategic plan.

Manage and budget to achieve those targets. FMS links program results and budget activities to fulfill GPRA requirements. FMS has four budget activities that link functions to FMS' current performance measures and our strategic goals: Payments, Collections, Debt Collection, and Governmentwide Accounting and Reporting. The budget activities represent the major activities that support the FMS mission.

Systematically report on annual performance. FMS' annual budget submission also includes the annual performance report required by GPRA. Annually, we compare actual performance with the estimated targets, and we provide explanations for the differences between planned and actual target levels.

Linking General Goals and Objectives to Annual Performance Goals

The FMS implementation of GPRA links the FMS Strategic Plan, the Annual Performance Plans and Reports, and the budget. Our performance goals in the budget/Annual Plans and Reports are identical to our strategic goals and objectives in the strategic plan.

Appendix C Summary table depicting the linkage between the Treasury goals and objectives and FMS' goals, objectives and performance goals.¹

Treasury Goals and Objectives	FMS Goals, Objectives and Performance Goals
<p>Goal: Manage the Government's Finances Effectively. Objective:</p> <ul style="list-style-type: none"> • Collect federal tax revenue when due, through fair and uniform application of the law. • Manage Federal debt effectively and efficiently. • Make collections and payments on time and accurately, optimizing use of electronic mechanisms • Optimize cash management and effectively administer the government's financial systems. 	<p>The following FMS' Goals, as described below, support this Treasury Goal.</p> <p>Goal 1: Provide Federal payments timely and accurately, move toward an all-electronic Treasury for payments, and determine the optimal payment processing environment for the future.</p> <p>Goal 2: Provide timely collection of Federal Government receipts, at the lowest cost, through an all-electronic Treasury.</p> <p>Goal 3: Maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services.</p> <p>Goal 4: Produce accurate, accessible, and timely governmentwide financial information and reports which contribute to improved quality of the Nation's financial decision making.</p> <p>Goal 5: Facilitate the achievement of a clean audit opinion on the <i>Financial Report of the U.S. Government</i> through FMS' internal operations and support to Government agencies.</p>
<p>Goal: Ensure Professionalism, Excellence, Integrity, and accountability in the Management and Conduct of the Department of Treasury Objective:</p> <ul style="list-style-type: none"> • Protect the Integrity of the Department of Treasury. • Manage Treasury Resources Effectively to Accomplish the Mission and Provide Quality Customer Service. 	<p>All of FMS' Goals, as described below, support this Treasury Goal.</p> <p>Goal 1: Provide Federal payments timely and accurately, move toward an all-electronic Treasury for payments, and determine the optimal payment processing environment for the future.</p> <p>Goal 2: Provide timely collection of Federal Government receipts, at the lowest cost, through an all-electronic Treasury.</p> <p>Goal 3: Maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services.</p> <p>Goal 4: Produce accurate, accessible, and timely governmentwide financial information and reports which contribute to improved quality of the Nation's financial decision making.</p> <p>Goal 5: Facilitate the achievement of a clean audit opinion on the <i>Financial Report</i></p>

¹Our performance goals in the Annual Performance Plans and Reports are identical to our strategic goals presented here and in the strategic plan. The Annual Performance Plan and Reports include measurable, outcome-oriented performance goals that clearly describe and relate how goal/objective achievement will be measured.

Treasury Goals and Objectives	FMS Goals, Objectives and Performance Goals
	<p data-bbox="586 323 1247 371"><i>of the U.S. Government</i> through FMS' internal operations and support to Government agencies.</p> <p data-bbox="586 396 1247 445">Goal 6: Establish policies and processes to facilitate the integration of e-commerce technologies into FMS' business programs and infrastructure.</p>

Appendix D Coordination on Cross-Cutting Issues

This table highlights key partners that FMS must coordinate with to achieve its strategic goals:

Key Partners	Goal 1 Payments	Goal 2 Collection s	Goal 3 Debt Collection	Goal 4 Governmentwide Financial Information & Reports	Goal 5 Unqualified Financial Reports	Goal 6 Electronic Commerce
Department of the Treasury	✓	✓	✓	✓	✓	✓
Congress	✓	✓	✓	✓	✓	✓
Federal Reserve System	✓	✓	✓	✓	✓	✓
Financial Institutions (Banking System)	✓	✓		✓		✓
Office of Management and Budget	✓	✓	✓	✓	✓	✓
General Accounting Office	✓	✓	✓	✓	✓	✓
Federal Program Agencies	✓	✓	✓	✓	✓	✓
National Treasury Employees Union	✓	✓	✓	✓	✓	✓
Federal Credit Policy Working Group			✓			
Chief Financial Officers Council			✓	✓	✓	
Governmentwide Accounting Advisory Group				✓		
Standard General Ledger Board				✓	✓	
Private Collection Agencies			✓			
Recipients of Federal Payments	✓					
Consumer/Community-Based Organizations	✓					✓
Government Vendors	✓					✓
Joint Financial Management Improvement Program					✓	
State Governments			✓			
Federal Accounting Standards Advisory Board					✓	

Appendix E Use of Program Evaluations to Develop Strategic Plan

A number of ongoing and one-time program evaluations/audits have influenced FMS goals, objectives and strategies. FMS accomplishes program evaluations through a variety of sources: internal reviews conducted by individual program offices; reviews and audits performed by Treasury's Office of the Inspector General (OIG) and reviews conducted by the General Accounting Office (GAO). The more significant evaluations/audits used to develop this strategic plan include:

Issue/Program	Program Evaluations
Computer Security/All Programs	The Need to Improve Computer Security Controls (GAO/AIMD-99-10): The need for an entity-wide security program is an FMS priority and will serve to address weaknesses in computer security planning and management.
Self-Assessments & Certification/Accreditation/All Programs	NIST 800-26 Self-Assessments & Certification/Accreditation: FMS reviewed its programs and entity-wide IT security program in accordance with the definition of a Program Review in OMB 02-29. The FMS IT Security Oversight & Compliance Staff and C&A facilitators from the Mission Assurance Division conducted Reviews of C&A documents. Additionally, a review of the FMS IT Security Program was conducted by the Treasury Enterprise IT Security Planning and Assurance Staff; three reviews of FMS' Plan of Action and Milestones submissions were completed.
Effective Cash Controls	Audit of Financial Management Service's Fiscal Years 2002 and 2001 Schedules of Non-Entity Government-wide Cash (OIG-03-039): FMS has established policies and procedures designed to strengthen controls over the Government-wide operating cash.
Effective Internal Controls/All Programs	Management Letter for Fiscal Year 2002 Audit of Schedule of Non-Entity Government-Wide Cash (OIG-03-040): FMS has designed and is implementing an action plan to resolve internal control issues related to FMS general controls over the systems used to administer the Government-wide cash.
Effective Internal Controls/All Programs	Management Letter for Fiscal Year 2002 Audit of Schedule of Non-Entity Assets, Non-Entity Costs and Custodial Revenue (OIG-03-43): FMS has designed and is implementing an action plan to resolve internal control issues related to FMS' general controls over the systems used to administer the Treasury Managed Accounts.
Improved Financial Information/Governmentwide Reporting and Accounting	Management Letter for Fiscal Year 2002 Audit of Schedule of Non-Entity Assets, Non-Entity Cost and Custodial Revenue (OIG-03-042): FMS has implemented an action plan designed to improve the financial analysis of fluctuation on a regular basis in an effort to identify trends in the Treasury Managed Accounts. In addition, the action plan will improve its accrual process to effectively identify cut offs for selected Treasury Managed Accounts.
Program Review/All Programs	Program review of Information Resources area within FMS to determine optimum organizational structure for development of web-based systems under the governmentwide e-commerce initiative. Study conducted under the direction of the Commissioner's Office by a consultant, McKinsey & Co. This study, carried out during FY02, resulted in a major restructuring of FMS' Information Resources (IR) organization with increased emphasis on security and customer support, and a change in system development strategy. Two IR divisions were abolished; displaced employees were assigned to other program areas engaged in system development efforts. Program areas were delegated responsibility for IT project management. Emphasis has been placed on competitive outsourcing, project management training and development; and procurement strategies to expedite required contractor support and services. Additionally, a Division Information Officer Council was formed with representatives from each of the Assistant Commissioner organizations, to establish IT policies, standards, and to review, approve or recommend approval/disapproval of new systems development.

Issue/Program	Program Evaluations
IT Internal Controls/All Programs	Physical and Environmental IT Reviews: FMS IT Specialist, Security Specialists and Program Office representatives conduct reviews to determine the adequacy of internal controls related to IT and physical securities at the various FMS sites and servicing banks that act as our financial agents. Additional internal controls have been identified and implemented and corrective actions are developed, monitored and spot checked for compliance.
Optimal Payment Process/Payments	Checks Outstanding Reconciliation Procedures Assessment: An independent assessment by a public accounting firm was conducted to determine whether system reconciliation procedures were adequate and controls were in place to correctly identify the amount of outstanding checks. FMS received an independent verification that FMS has improved the monthly outstanding check reconciliation process; that procedures were reasonable and controls were in place to prevent or detect a material misstatement of the balance of outstanding checks; and that an adequate audit trail was maintained.
Program Analysis/Debt Collection then all remaining programs	Program Assessment Rating Tool [PART]: FMS has completed its assessment of its debt management program. Other FMS programs will be assessed within the next several years.

During the period 2000-2005, program evaluations and audits in areas such as Governmentwide Accounting, Debt Collection, Payments, Collections, Electronic Commerce and Human Resources have been proposed by the OIG, individual program offices, and others. Proposed evaluations or audits in these areas have the potential to assess the effectiveness and impact of various FMS strategic goals, objectives, strategies and programs.

Additionally, FMS continuously reviews and evaluates its programs. Included in the review process are periodic and spot reviews related to lockbox operations, certification and accreditation of all information technology systems and management annual assurances in compliance with the Federal Financial Integrity Act and the Federal Financial Management Improvement Act.

Appendix F Data Validation

FMS links program results and budget activities to fulfill the Government Performance and Results Act (GPRA) requirements. FMS has four budget activities (business lines) that link functions to FMS' current performance measures and our strategic goals. For each performance measure presented in FMS' Annual Performance Plans and Reports, a description of the systems and internal controls used for data verification and validation is included. For FY 2003, the data from all the relevant FMS systems is rated at "Reasonable Accuracy." This means that the program managers have determined that the information from the systems is sufficiently accurate for program management and performance reporting purposes.

Appendix G Management Challenges--Index of Goals and Strategies Related to FMS' GAO-and IG- Identified Management Challenges

I. Management Challenge: Strengthen FMS' Computer Security Controls (GAO 03-109)

Issue: FMS' entitywide security control structure has yet to fully address the significant risks associated with its current and evolving computing environment. As FMS provides users greater and easier access to larger amounts of data and system resources, well-designed and effective computer security controls are essential if FMS's operations and computer resources are to be properly protected.

Related Goal: Cross-cutting throughout all goals.

Actions:

To ensure an effective entity-wide Information Technology (IT) Security Program, FMS has:

1. Revised and published information technology security policies and standards and trained employees on the new policies.
2. Appointed a senior executive to oversee audit findings, evaluate its entitywide security program using the Federal IT Security Assessment Framework, and implement a program plan and milestones to achieve a security program effectiveness of Level 5 by FY 2004.
3. Addressed the resolution of audit findings and recommendations through a comprehensive corrective action plan that includes detailed milestones. FMS has completed all 55 corrective actions.

II. Management Challenge: Ability to Prepare Reliable Financial Statements (GAO 03-109)

Issue: Federal agencies have been cited as having problems related to fundamental record keeping, incomplete documentation, and weak internal controls which prevent the Government from accurately reporting a large portion of assets, liabilities, and cost. GAO reaffirmed these deficiencies in their audit of the consolidated FY 2002 *Financial Report of the United States Government*.

Related Goal: Facilitate the achievement of a clean audit opinion on the *Financial Report of the U.S. Government* through FMS' internal operations and support to Government agencies.

Related Objectives:

To strengthen Federal financial management by improving the quality, timeliness, accuracy, delivery and integrity of Government financial information and reporting.

To increase program efficiencies and reduce reporting and operational burdens by converting paper-based processes to electronic processes and by using new technologies.

To facilitate the development of a knowledgeable Federal financial community.

Actions:

In FY 2003, FMS will finalize requirements and obtain contractual assistance in its effort to rebuild the processes it uses to prepare the *Financial Report of the U.S. Government*. The new process will be used in preparing the FY 2004 financial statements, scheduled for publication in December 2004. When implemented, the new process and business rules will mitigate the material weakness in the current process.

Appendix H Security and Continuity of Operations

FMS is well equipped to ensure uninterrupted service in the event of a disaster, natural or otherwise. A back-up data center has recently been built out at FMS' Kansas City, MO, Financial Center. This center provides full recovery capability for the bureau's payments applications and serves as a backup for the Bureau of the Public Debt's systems. The Federal Reserve and a commercial recovery site provide support for all other applications and all applications run by the Federal Reserve are fully backed up. In addition, IBM provides back up for our non-payment systems.

The physical security of FMS' facilities, as well as the security of its employees, has also been enhanced since September 11, 2001. FMS has implemented the following security measures:

- Increased the level of physical security at its facilities by increasing guard patrol, providing additional structural security, conducting vulnerability reviews, and maintaining emergency supplies
- Implemented Emergency Planning, with an alert cast system, Emergency Information Cards, a 1-800 phone number, Continuity of Operations (COOP)/evacuation testing, business continuity planning and threat level descriptions and actions
- Improved the mechanisms for emergency communications, including purchasing a satellite phone system, using a standardized cellular phone system with paging throughout FMS, and installing satellite and cable TV

Appendix I The Human Capital Challenge

Given FMS' current and anticipated future mission, our core occupations will be changing dramatically away from routine operations toward more development of customer-focused systems and value-added analysis of critical financial data. Also, as reflected in the goals and objectives delineated elsewhere in this Strategic Plan, technological change is heavily impacting the occupational skill sets needed to meet these objectives. From a strategic human capital perspective, the challenge is both quantitative (being able to quickly and efficiently hire a sufficient number of skilled employees) and qualitative (developing and retaining current employees).

To help meet this workforce challenge, FMS has established a Human Capital Management Council to serve as a collection point for workforce information, and has prepared a Human Capital Plan describing FMS' human capital goals, objectives, investments and strategies. A human capital action plan links the Human Capital Plan to specific human capital initiatives. Some of the major areas of focus include:

Future Skill Needs

Our core occupations have traditionally included Accountants, Computer Specialists, Financial Program Specialists, and now includes the emerging inter-disciplinary occupation of Project Manager. These occupations require strong occupationally specific technical skills: understanding of accounting principles, knowledge of financial concepts, a variety of computer skills in various specialties, and strong organizational and management skills. These conditions have produced a profound occupational skill gap, so that we foresee our core occupations dramatically changing, as well as the way we do business (e-commerce, web-based transactions, and information/data flow). Therefore, our challenge is to recruit and retain employees capable of leading these evolutionary changes. To meet this challenge, FMS' Human Capital Management Council has embarked on an effort to identify organizational and occupational competencies for our core and critical occupations. These competencies will provide a skill-based framework for the recruitment, development, and evaluation of our future workforce.

Workforce/Succession Planning

With respect to succession planning, an overarching consideration is the organizational culture that exists within the agency. Within FMS, the executive management team (Commissioner, Deputy Commissioner, and Assistant Commissioners) considers succession planning an integral part of their responsibilities, and these considerations permeate much of the decision process relative to staffing and development. There are specific recruitment and developmental programs that are components of a progressive succession planning approach; however, a key factor is that most of the Assistant Commissioners have worked in a variety of the program areas. As a result, decisions concerning the development and placement of individuals into key positions are made with a view toward FMS-wide needs as opposed to a more parochial view. Recently, new

competitive programs have been established to identify and develop new supervisors and managers, SES candidates, and certified project managers. Each of these areas has a curriculum of required formal training and provides structured developmental experiences in the workplace.

Recruitment Programs

As stated previously, FMS is facing both a quantitative and qualitative challenge in attracting and retaining a highly skilled workforce. Based upon current and future demographic projections and the need to be able to effectively compete for skilled employees, FMS has determined to emphasize entry-level professional hires and the relatively rapid movement of these hires into positions of significant responsibility.

These workforce trends and projections, along with FMS' strategic approach to recruitment, have been captured in a recruitment plan that describes the variety of efforts underway to hire the new generation of employees. The plan focuses on available tools that can be used to attract the most qualified applicants, while at the same time expanding the recruitment pool to attract a more expansive and diverse group of applicants. For entry-level positions, FMS has increased its visibility at local colleges and universities and expanded the number of schools being regularly visited. We make extensive use of the Federal Career Intern Program, have updated and re-issued brochures and fact sheets, established a Delegated Examining Unit, and established on-going relations with a variety of Black and Hispanic professional and student organizations. FMS has also implemented several new recruitment and retention flexibilities, including recruitment bonuses, retention allowances, and repayment of student loans. This is in addition to ongoing programs to enhance the attractiveness of FMS as a place of employment, including flexible work hours and flexiplace.

Training and Development

FMS is fully committed to continuing and ongoing training of all employees. FMS has developed and is utilizing a unique and planned system of training and development available for employees at all levels. These programs include not only Service-wide Training, available to all employees, which provides courses in computer skills, administration and management, and career decisional subjects. Also included is a full array of professional development programs encompassing a Management Preparatory Development Program (MPD), an Incumbent Manager Development Program (IMD), and a SES Candidate Program. Having identified Project Manager as an emerging critical inter-disciplinary occupation, FMS has developed and put in place a Project Management Training (PMT) curriculum designed to develop highly trained and certified project managers. FMS has also offered all employees five full days of paid training per year (budget permitting) and has reallocated funds to support a higher degree of technical and professional training for employees who are not in a designated competitive program.

Appendix J Consultations and Stakeholders

This Strategic Plan was developed in accordance with the provisions of the GPRA and OMB Circular A-11. We have shared our initial draft plan with the Department and OMB. Their views and comments are reflected in this draft. We have sent letters to various Congressional Committees, Federal program agencies, and the National Treasury Employees Union requesting their review of and comments about our draft plan; and made the plan available at the FMS web site at <http://fms.treas.gov/strategicplan/updatedraft2003.html>. Also, the plan was developed and prepared in its entirety by FMS managers and employees.

Our consultation efforts are summarized below:

Congressional Consultations	
Senate	House
Senator Ted Stevens Chairman, Senate Appropriations Committee	Representative C. W. Bill Young Chairman, House Committee on Appropriations
Senator Robert C. Byrd Ranking Member, Senate Appropriations Committee	Representative David Obey Ranking Member, House Committee on Appropriations
Senator Richard Shelby Chairman, Senate Appropriations Subcommittee on Transportation, Treasury and General Government	Representative Ernest J. Istook Chairman, House Subcommittee on Transportation, Treasury, and Independent Agencies
Senator Patty Murray Ranking Member, Senate Appropriations Subcommittee on Transportation, Treasury and General Government	Representative John W. Olver Ranking Member, House Subcommittee on Transportation, Treasury, and Independent Agencies
Senator Susan Collins Chairman, Senate Committee on Governmental Affairs	Representative Tom Davis Chairman, House Committee on Government Reform

Senator Joseph I. Lieberman Ranking Member, Senate Committee on Governmental Affairs	Representative Henry A. Waxman Ranking Member, House Committee on Government Reform
	Representative Todd Platts Chairman, House Subcommittee on Government Efficiency and Financial Management
	Representative Edolphus Towns Ranking Member, House Subcommittee on Government Efficiency and Financial Management

Customers and Stakeholders	
Social Security Administration	Department of Veterans Affairs
Office of Personnel Management	United States Mint
The Alcohol and Tobacco Tax and Trade Bureau	Railroad Retirement Board
Department of Defense	Department of State
Internal Revenue Service	U.S. Department of Agriculture
Federal Reserve System	National Treasury Employees Union
U.S. Postal Service	Department of Homeland Security