OFFICE OF THE CHIEF FINANCIAL OFFICER

FY 1999 ANNUAL PROGRAM PERFORMANCE REPORT

The Secretary established the Office of the Chief Financial Officer (OCFO) in 1995 under authority provided in Reorganization Plan No.2 of 1953 (7 U.S.C.2201) to comply with the Chief Financial Officer's Act of 1990. OCFO is responsible for overall financial management activities in the 95,000-employee Department of Agriculture (USDA) and for direct management of 1,765 employees in OCFO at USDA headquarters in Washington, DC, and the National Finance Center (NFC) in New Orleans. OCFO's duties include accounting and reporting responsibilities for program funds totaling more than $92 billion and management responsibility for nearly 41 percent of all debt owed to the U.S. Government. A major cross-servicing and operations facility, the NFC processes the payroll for 439,457 individuals or about 39 percent of the Federal workforce excluding the Postal Service and the Department of Defense and administers the Federal Government's $88 billion Thrift Savings Plan, which is the world's largest 401(k) retirement plan, for 2.5 million participants. In addition, OCFO administers and manages the Department's Working Capital Fund.

This Annual Program Performance Report reflects the major accomplishments and milestones that USDA achieved in financial management during FY 1999. OCFO works in partnership with the mission areas to move USDA closer to compliance with Government-wide standards and Congressional mandates. This report provides our stakeholders, the public and the Congress with a complete picture of USDA's financial management initiatives, including our progress on the performance measures that serve as the core of this report. All of these measures contribute to the OCFO mission of shaping an environment in which USDA officials have and use high quality financial and performance information to make and implement effective policy, management, stewardship, and program decisions. This report documents the areas where OCFO has exceeded targets, met performance targets, or identified target areas where we must improve our performance to achieve the goals necessary for a more efficient, effective and reliable financial management operation. More information about OCFO's programs can be found in the OCFO Strategic and Annual Performance Plans. Only Federal employees were involved in the preparation of this report.

The appropriation for OCFO is authorized by 7 U.S.C. 2201 and 31 U.S.C. 901ff, and the appropriation for the Departmental Working Capital Fund is authorized by 7 U.S.C. 2235. With the resources available in FY 1999, USDA made significant strides in the financial management arena. The following highlights reflect this progress and its positive effects on the financial and administrative atmosphere at USDA:

- USDA submitted its consolidated financial statements for fiscal year 1998 to the Office of Management and Budget (OMB) by the March 1, 1999 deadline. The previous year's submission arrived at OMB five months past the deadline. USDA has six stand-alone audits, three of which received unqualified audit opinions, thereby exceeding the performance target.

- USDA collected $136.2 million in delinquent debt through Treasury's Administrative Offset Program and other debt-collection tools during FY 1999. This figure represents a 45-percent increase over the $93.9 million collected in FY 1998 and a 90-percent increase over the $71.5 million collected in FY 1997. In addition, USDA lowered the amount of delinquent debt in its overall loan portfolio from $7.5 billion in delinquencies in FY 1997 to $6.4 billion in FY 1999, a drop of nearly 15 percent.

- USDA made significant progress in implementing the Foundation Financial Information System (FFIS). The Risk Management Agency implemented the administrative accounting system on October 1, 1998. The Chief Financial Officer, along with senior-level staff from the Office of the Secretary and other top USDA officials, made significant changes to the implementation's project management. Under this new management structure, the Forest Service and the Food Safety and Inspection Service achieved all the necessary business process re-engineering milestones during FY 1999 to complete the implementation of FFIS at the beginning of FY 2000. This success led the Secretary to accelerate the system's implementation in the current fiscal year to include four major agencies.

- OCFO's NFC added three new payroll clients during FY 1999: The Peace Corps (900 employees), The Federal Elections Commission (350 employees), and the county-based employees from the Farm Service Agency within USDA (2,000 employees). NFC has added 21,400 individuals to the list of employees receiving payroll services in the last two years. Adding customers to the NFC payroll service helps to reduce the cost per transaction for all users of the service.

OCFO PERFORMANCE SUMMARY

Strategic Goal/ Management Initiative	FY 1999 Performance Goals	Performance	
		Target	Actual
Goal 1: Promote sound financial management through leadership, policy, and oversight.	Unqualified audit opinion on the USDA consolidated financial statements for the prior-year fiscal year. Number of stand-alone financial statements receiving unqualified opinions.	2	3
	Promote timely correction of internal control deficiencies. Percent of audits where corrective action is proceeding as scheduled. Percent of material FMFIA internal control deficiencies where corrective action is proceeding as scheduled.	60% 70%	62% 60%
	Improve the ratio of collectable delinquencies to total receivables.	1.5%	1.1%
	Issue management accountability report.	Project Planning	Initial planning completed
Goal 2: Create an infra-structure to carry out financial management policies.	Implement the Foundation Financial Information System (FFIS).	Add RMA	RMA Added
Goal 3: Operate a financial center that produces timely and reliable information, and services.	Measure level of increase in customer satisfaction.	Determine Approach	Approach Developed
	National Finance Center to achieve CMM Level II Certification.	Document plan of action for certification process	Plan of action developed
	Increase number of newly implemented payroll accounts (number of new employees).	10,000	3,250
	Annual increase in costs, exclusive of increases in research and development and costs associated with increased volume, is less than 50% of the increase in the sum of pay costs and inflation.	Less than 50%	39%
	Implement the NFC Year 2000 Readiness Project	Complete the Validation & Implementation Phases	Completed the Validation & Implementation Phases

Goal 1: Promote sound financial management through leadership, policy, and oversight.

Objective 1.1: Lead and participate in the development of Government-wide financial management policies and direct their timely implementation Department-wide.

While there were no specific performance measures established for this objective, OCFO participated in at least two dozen committees, councils, task forces, and/or workgroups that produced Government-wide policies, procedures, and standards that are being, or have already been implemented throughout USDA. For example, the CFO serves on the Federal CFO Council's Executive Committee as the chair of the Entrepreneurial Government Committee, which is a forum for addressing issues that affect reimbursable activities in the Federal Government. USDA has a considerable stake in the future of reimbursable activities due to the role of the National Finance Center (NFC) as a major payroll/personnel cross-servicing agent in the Federal Community.

In response to a 1997 recommendation from the Office of the Inspector General that USDA should start an effort to professionalize financial management, OCFO made arrangements with the USDA Graduate School to develop two USDA-tailored Certificates of Accomplishment in Federal Financial Management.

OCFO also developed a Financial Management Professional Development Program for implementation in FY 2000.

OCFO has determined that this objective is better expressed as means and strategies for accomplishing the other OCFO objectives. Therefore, leadership of Government-wide financial management policies will be deleted as a separate objective and is included as means and strategies in the Revised FY 2000 Annual Performance Plan.

Objective 1.2: Achieve an unqualified audit opinion on USDA's consolidated financial statements.

Key Performance Goal

Unqualified audit opinion on the USDA consolidated financial statements for the prior fiscal year.
Number of stand-alone financial statements receiving unqualified opinions.
Target: 2
Actual: 3

Fiscal Year	Number of Statements Audited	Actual Number of Unqualified Opinions	Target Number of Unqualified Opinions
1999	6	3	2
2000			3
2001			5

1999 Data: Financial statements are not audited until after the close of the fiscal year. Consequently, data shown for FY 1999 represent the opinions issued on the FY 1998 financial statements. The number of statements to be audited is determined through mutual agreement by the OMB, the Office of the Inspector General (OIG), and OCFO. The data shown are taken directly from OIG's audit reports of the FY 1998 financial statements.

Analysis of Results: OCFO exceeded its performance target by one unqualified audit opinion. The three entities that received unqualified opinions are the Rural Telephone Bank, the Food and Nutrition Service, and the Federal Crop Insurance Corporation. OIG's unqualified audit opinions help demonstrate that the systems used to produce the financial statements are sound and generate consistent, reliable, timely, and useful information. In particular, the Food and Nutrition Service's unqualified opinion represents significant progress in the administration of $33.5 billion in food assistance programs, including programs for Food Stamps, child nutrition, and emergency food assistance. The Food Stamp program, alone, distributes funds to all 50 states and the District of Columbia, and the unqualified opinion enhances the credibility of a program that affects State and Municipal Governments.

Working with the mission areas, OCFO led USDA in submitting the consolidated financial statements to OMB by the March 1 deadline, improving upon the previous year's submission that was five months late. The OIG did not render an unqualified opinion on these statements, and OCFO is working with the appropriate mission areas to improve data credibility and reliability in areas such as credit reform and accounting for property, plant, and equipment.

OCFO has decided to revise the wording of this performance goal for purposes of clarity. This change will be reflected in the revised 2000 and 2001 Annual Program Performance Plan.

Current Fiscal Year Performance: Most of OCFO's efforts are directed at retaining the three current unqualified opinions and assisting the Commodity Credit Corporation (CCC) and the Forest Service (FS) to achieve qualified opinions on the FY 2000 financial statements and CCC, FS, and the Rural Development (RD) mission area achieve an unqualified opinion on its FY 2001 statements. Based on current analysis, the RD mission area is unlikely to achieve an unqualified opinion on its FY 2000 statements.

Program Evaluations: OIG performed audits of 6 required entities and consolidated financial statements, all of which are available at the OIG's home page www.usda.gov/oig.

Objective 1.3: Ensure prompt resolution of Department-wide audit and internal control findings.

Key Performance Goal

Promote timely correction of internal control deficiencies.

Percent of audits where corrective action is proceeding as scheduled.

Target: 60%

Actual: 62%

Percent of material FMFIA internal control deficiencies where corrective action is proceeding as scheduled.

Target: 70%

Actual: 60%

Fiscal Year	Audits with Corrective Actions on Schedule	Audits Without Final Action	Audits where corrective action is proceeding as scheduled (%)	Target (%)	Material Deficiencies on Schedule	Material Deficiencies Reported for FMFIA	FMFIA Deficiencies where corrective action is proceeding as scheduled (%)	Target (%)
1998	188	306	61.0		18	39	46.0	
1999	165	266	62.0	60.0	21	35	60.0	70.0
2000				70.0				70.0
2001				75.0				75.0

1999 Data: The data for audits where corrective action is proceeding as scheduled were extracted from the Secretary's Management Report (SMR) as of September 30 for the years reported. OCFO improved the way in which data related to internal controls are managed and reported to outside organizations. During FY 1999, OCFO developed an Automated Tracking System (ATS) to produce better, more efficient management information. OCFO performed an analysis of every open audit file to ensure that the ATS received accurate data from OIG downloads.

OCFO extracted data regarding internal control deficiencies from the Federal Managers' Financial Integrity Act (FMFIA) report to the Congress. Deficiencies include both material management control weaknesses and system nonconformances. Agency management reported status of these deficiencies as a result of internal reviews, OIG evaluations and reports, General Accounting Office (GAO) reports, and other sources. OIG reviewed accuracy of agency input during annual financial statement audit.

Analysis of Results: OCFO met this performance goal. OCFO exceeded the performance target for resolving audit issues because it worked with agency officials to develop and implement plans to address audit issues which were previously not being addressed in a timely matter. OCFO staff has worked diligently with agency management and OIG to ensure that actions agreed to in management decisions are achievable and cost-effective, correct identified deficiencies, and include an action plan for completion. These efforts resulted in a reduction in the number of audits without final action from 306 in 1998 to 260 in 1999.

Although OCFO did not meet the performance target for FMFIA deficiencies, the organization made significant progress. The number of material deficiencies dropped, and the percent of material deficiencies with timely corrective action increased 30 percent. Six of the 14 deficiencies, where estimated completion dates were revised, involved the implementation of automated systems. Year 2000 efforts postponed the long-term development of these systems. The Y2K initiative took precedence over any previously identified systems development plans.

Current Fiscal Year Performance: OCFO anticipates continued improvement this fiscal year towards achieving its target of 70 percent for audits where corrective action is proceeding on schedule. However, the original FY 2000 target of 90 percent for FMFIA deficiencies has been revised to reflect a more achievable standard. Beginning in FY 2000, OCFO will work with agencies to devise detailed schedules of corrective actions in cases where estimated completion dates have changed. This process should contribute to the achievement of future year targets.

Program Evaluations: In July 1999, OIG issued an evaluation report entitled "Review of the Department's Final Action Process," Report 50801-1-HQ. This report concluded that OCFO has performed well in promoting the integrity of the "final action" process. This report can be obtained by contacting OIG at (202) 720-1918.

Objective 1.4: Reduce outstanding delinquent debts to USDA and limit the increase in number of new delinquencies.

Key Performance Goal

Improve the ratio of collectable delinquencies to total receivables.
Target: 1.5%
Actual: 1.1%

Fiscal Year	Total Receivables (In billions of dollars)	Collectable Delinquencies (In billions of dollars)	Actual Ratio (This figure should decrease)	Target (Percentage of total debt that is delinquent)
1996	107.5	3.2	3.0	
1997	104.5	2.1	1.9	
1998	104.0	1.6	1.5	
1999	103.4	1.2	1.1	1.5
2000				1.0
2001				1.0

1999 Data: The data are obtained from the FY 1999 Treasury Report on Receivables (TROR). The OCFO certifies the TRORs and submits it quarterly to the Department of the Treasury. OIG audits the TRORs as part of the audit of consolidated financial statements.

Analysis of Results: USDA is a major credit-reform component for the entire Federal Government. USDA constitutes about 40 percent of all non-tax debt owed to the Federal Government. The $103.4 billion portfolio is larger than any other Federal credit agency and includes loans for rural housing units, rural utilities, farm operating and disaster assistance, international export and development, and rural business enterprises.

The FY 1999 data reflect positive results in all areas. Two issues to consider are that USDA can only control collectable delinquent debt, and that a decrease in collectable debt signifies that USDA is improving its management of the debt portfolio and delinquencies. Collectable delinquencies are debts that have a possibility of being collected. FY 1999 delinquent receivables totaled $6.4 billion. Of this amount, only $1.2 billion is considered collectable, while $5.2 billion is considered uncollectable. Approximately 90 percent of collectable debt is from Food Stamp recipients. Collectable delinquencies include certain past due loans to USDA, over-issuances of food stamps, overpayments of farm program deficiency payments, fines levied against arsonists in the national forests, and debts from USDA employees. Uncollectable delinquencies are debts that are precluded from collection because of statutory or administrative requirements. These debts may be in bankruptcy, in litigation, payments from foreign or sovereign entities, or which have passed the statute of limitation for legal collectability.

OCFO exceeded its performance goal by 24 percent. OCFO achieved this reduction of collectable delinquencies through collections and the restructuring of payment processes. Since the enactment of the Debt Collection Improvement Act of 1996, USDA has concentrated on reducing the percentage of collectable delinquencies in relation to the total receivables. As the number of total receivables falls, the percentage of collectable delinquencies in relation to these total receivables should decline as well.

In FY 1999, USDA had an average delinquency rate of about six percent, compared to the Government-wide average of 22 percent. This figure means that of all debt owed to USDA in a one-year period only six percent is delinquent.

Fiscal Year	Total Receivables (In billions of dollars)	Percent Decrease since FY 1996	Total Delinquent Debt (In billions of dollars)	Percent Decrease since FY 1996	Write Off of Delinquent Debt (In billions of dollars)	Percent Decrease since FY 1996
1996	107.5	-	8.7	-	1.8	-
1997	104.5	2.7	7.5	14.0	1.2	36.0
1998	104.0	3.2	6.4	26.4	0.5	71.0
1999	103.4	3.7	6.4	27.0	0.5	74.0

Fiscal Year	Collections of Delinquent Debt (in millions of dollars)	Percentage of Increase since FY 1996
1996	50.2	-
1997	71.5	42.4
1998	93.9	94.0
1999	136.2	171.0

The tables above illustrate the progress made on debt-management programs. Although total receivables have declined approximately four percent since 1996, the total delinquent debt has decreased by 27 percent as USDA applied various tools of the Debt Collection Improvement Act of 1996 (DCIA). Collectable delinquent debt dropped by 63 percent over the same period, which indicates that fewer borrowers are delinquent in their payments. Write offs of delinquent debt decreased by 74 percent, which indicates that less debt is reaching the point that it is uncollectable and as a last resort must be written off.

Collections of delinquent USDA debt have almost tripled (from $50.2 million to $136 million) since 1996 as a result of DCIA and a greater reliance on referring debts for Treasury offset, cross servicing, Internal Revenue Service (IRS) 1099 reporting, and internal/external salary offset programs. In FY 1996, USDA collected $50.2 million in delinquent debt. By FY 1999, new collection instruments, many as a result of DCIA, enabled USDA to collect $136 million, a 45 percent increase over the $93.9 million collected in 1998.

Current Fiscal Year Performance: OCFO is on track to meet this performance goal and continues to utilize the tools that have enabled USDA to achieve dramatic results in its debt collection effort. This includes increased usage of Treasury's Administrative Off-set Program, cross-servicing, internal off-set of USDA payments and the use of private collection contractors.

Program Evaluations: The numbers are verified and validated by OIG audits of USDA's Consolidated Financial Statements. These audits can be obtained by contacting OIG at (202) 720-1918.

Objective 1.5: Promote performance management and accountability throughout the Department.

While there were no specific performance measures established for this objective, OCFO has developed a draft Department-wide approach to results management. When implemented, this approach is designed to provide Department-wide strategic thinking, leadership and results-based coordination for corporate, mission critical programs, initiatives and activities.

This initiative has been incorporated, under this objective, into the revised FY 2000 and FY 2001 Annual Performance Plan. The Plan provides performance information relevant to this new initiative.

The following performance goal originally supported Strategic Goal 2, Objective 2.2, Streamline and enhance information reporting at Department level. OCFO has determined that placing this Key Performance Goal under this strategic objective will eliminate possible confusion about the effort to improve financial management accountability in USDA.

Key Performance Goal

Issue management accountability report	
Target:	Project planning
Actual:	Initial planning completed

1999 Data: OCFO completed initial planning with the development of a model format for the accountability report. This model will be re-evaluated and refined as USDA undertakes production of the report.

Analysis of Results: The performance target was met. USDA obtained copies of accountability reports from other Federal departments and discussed the processes used in developing them. Insights gained through these other implementations will help OCFO develop an approach that should avoid some of the pitfalls experienced by other agencies. Unfortunately, USDA was unable to participate in the accountability report pilot for FY 1999, due to other high priority activities.

Current Fiscal Year Performance: The Chief Financial Officer and the Department's leadership are committed to producing an accountability report for USDA that consolidates reporting and provides our various constituencies with meaningful information about USDA and how the Department uses its resources to deliver programs and services. Improving USDA financial accountability has been an area of emphasis in FY 1999, with special efforts focusing on solving long-standing financial management issues in the Department, including accounting for loans and property, plant and equipment and ensuring the timely implementation of an integrated financial management system. These efforts and achievements will be highlighted in the first accountability report.

In calendar year 2000, OCFO will identify implementation approaches and timetables for production of the accountability report. The change in the performance goal is reflected in the revised FY 2000 and FY 2001 Annual Performance Plan.

Program Evaluations: None conducted during FY 1999.

Objective 1.6: Provide internal and external customers with financial management services.

There were no specific performance measures for this objective. OCFO has determined that it should not be a standalone objective, because its components have been addressed under other OCFO objectives. This change will be reflected in the revised FY 2000 and FY 2001 Annual Performance Plan.

Goal 2: Create an infrastructure to carry out financial management policies.

Objective 2.1: Implement an integrated financial management information system for USDA.

Key Performance Goal

Implement the Foundation Financial Information System (FFIS).
Target: Add RMA
Actual: RMA added

USDA FFIS Implementations			
Fiscal Year	Total USDA Employment	Number of USDA Employees Served	Percentage of Total USDA Workforce
1999	104,661	528	.005%
2000	101,772	44,544	43.76%
2001	104.220	75,257	72.2%

1999 Data: The Risk Management Agency (RMA) implemented FFIS on October 1, 1998 as scheduled and continued production operation throughout FY 1999. The implementation of FFIS occurs when the agency stops processing in the legacy accounting system, converts open items and ledger balances and processes the new fiscal year's work in FFIS.

Analysis of Results: This performance goal was met when the Risk Management Agency was implemented. In FY 1999, USDA took positive steps to turn-around the troubled FFIS project and set it on an accelerated course to ensure implementation of all USDA agencies by October 1, 2002. USDA must implement FFIS to comply with the CFO Act requirements, other laws and regulations, and requirements of the Joint Financial Management Improvement Program. To address the challenges facing the project, the CFO consulted with OMB and colleagues across government to find an experienced project management team to manage a Department-wide project of this magnitude. In June 1998, the Office of Personnel Management approved the Secretary's request for a waiver to move an entire project team from another Federal agency to USDA.

Under this new leadership, USDA succeeded in implementing the Forest Service and the Food Safety and Inspection Service on FFIS on October 1, 1999. These agencies join the Risk Management Agency (RMA), implemented on October 1, 1998, and the OCFO organization.

The Financial Data Warehouse (FDW) is the reporting part of the FFIS project implementation and was implemented for the FFIS agencies on October 1, 1999. Future phases of the FDW will expand USDA's capabilities to perform corporate financial reporting, will provide the capability to produce the Department's consolidated financial statements, and will represent the Department's integrated financial management system. The FDW will incorporate current warehouse technology to provide user reporting flexibility through a user-friendly access tool.

FFIS now serves 44,544 employees or 43.76 percent of USDA's workforce and represents an important step toward improving USDA's financial accountability. It is also an important milestone in realizing the Secretary's commitment to financial management. The leadership team has been so successful with FFIS implementations that the Secretary directed that the remaining implementation schedule be accelerated.

Current Fiscal Year Performance: The FY 2000 target was met on October 1, 1999 when USDA successfully implemented the Forest Service and the Food Safety and Inspection Service. Work is proceeding on schedule to implement Rural Development (RD), the Farm Service Agency (FSA), the Natural Resources Conservation Service (NRCS) and the Animal and Plant Health Inspection Service (APHIS) on October 1, 2000. With the addition of these agencies, an estimated 80 percent of USDA's workforce will be served by an administrative accounting system that is compliant with laws and regulations.

Current FDW efforts are concentrating on implementing the user friendly access tool on October 1, 2000, and providing an automated template process for the consolidated financial statements.

The Secretary's FFIS Executive Steering Committee continues to oversee the project. At the Secretary's direction, the CFO is heading a group to develop a strategy for replacing the administrative systems providing data to FFIS to ensure the integrity of financial data from other sources.

Program Evaluations: Implementation strategies currently employed by the FFIS Project Office have proven effective and will be used for future FFIS implementations. Logistics Management Institute completed an independent verification and validation in August 1999 titled "Independent Assessment of USDA's Financial Management Architecture FFIS Implementation." This assessment included these findings: "FFIS provides an adequate base for meeting the financial management requirements for USDA to implement an integrated, compliant system for processing, managing, and reporting financial data." This report can be obtained by contacting OCFO at (202) 720-1221.

Objective 2.2: Streamline and enhance information reporting at the Department level.

OCFO analysis determined that this objective is a strategy to accomplish other performance goals. The key performance goal that originally supported this objective was moved to Objective 1.5. There are no other performance measures for this objective and OCFO has determined that it should be eliminated as an objective. This change will be reflected in the revised FY 2000 and FY 2001 Annual Performance Plan.

Objective 2.3: Work with other agencies and staff offices to re-engineer administrative systems, such as travel, loans, procurement, and payroll/personnel to satisfy customer needs and provide the relevant components of the integrated system.

OCFO analysis determined that this objective was more a strategy to accomplish other performance goals. There were no performance measures for this objective and OCFO has determined that it should be eliminated as an objective. This change will be reflected in the revised FY 2000 and FY 2001 Annual Performance Plan.

Goal 3: Operate a financial center that produces timely and reliable information and services.

Objective 3.1: Improve efficiency and customer satisfaction with National Finance Center (NFC) operations.

Key Performance Goal

Measure level of increase in customer satisfaction.	
Target:	Determine approach
Actual:	Approach developed

1999 Data: NFC's approach is reflected in its decision to use both formal and informal means to assess customer satisfaction. The formal approach is documented in four preliminary draft surveys that were developed in FY 1999 for specific target audiences. These surveys address both the service attributes that NFC is interested in measuring and the importance the customer assigns to these service attributes. Fine tuning of these surveys will continue until they are ready for issuance according to the schedule shown in subsequent sections.

Analysis of Results: The performance goal was achieved in FY 1999 when NFC established a plan to develop four distinct surveys targeting customer satisfaction on system functionality and availability, service timeliness, quality of materials, and training, which will be used in addition to existing formal and informal data collection techniques. Collecting and measuring this information will allow for the establishment of a baseline, or benchmark, and the development of trend data which can be analyzed and factored into our planning processes.

Current Fiscal Year Performance: During FY 2000, work is continuing as NFC finalizes the surveys which will be issued to customers according to the following schedule:

Survey Type	Planned Implementation
Help Desk Survey	January - June 2000
Web Survey	July - September 2000
User Group Survey	July - September 2000
Trained Customers Survey	January - June 2000

NFC will analyze the survey responses and establish a baseline during the fourth quarter of FY 2000 using FY 2000 data. NFC continues to issue questionnaires with each new system procedure and conduct random informal surveys and briefings.

Program Evaluations: None conducted during FY 1999.

Key Performance Goal

National Finance Center to achieve CMM Level II Certification.
Target: Document plan of action for certification process
Actual: Plan of action developed

1999 Data: NFC achieved the performance target by developing a draft Software Process Improvement Plan, which contains the milestones and schedule for expanding Capability Maturity Management (CMM) Level II at NFC.

Analysis of Results: This performance goal was achieved when NFC adopted the CMM for Software. CMM is part of a discipline for increasing product quality, or development team productivity, or reducing development time that allows an organization to improve its software management activities. CMM serves as a standard for software engineering and management practices and is essential to support the increasing maturity of NFC's software engineering capabilities. It also presents a model against which other external software organizations can compare their own practices.

NFC already achieved a CMM Level II for its Thrift Savings Plan Division, which means that solid software project management practices are in place and institutionalized in the Division. Our challenge is now to extend this process to the other development areas of NFC.

Contributing towards this target, in FY 1999 NFC established a Software Configuration Control Board, drafted procedures to support its operation, and trained mid-level software managers in techniques for managing technological change and using instruments for gauging organizational readiness for change. FY 1999 accomplishments laid the groundwork for a successful transition to CMM Level II and provided a better understanding of the volume and character of the pending workload. It has also provided insight to the organization's capacity to address the backlog of pending projects and maintenance. Understanding these issues is essential to tailor best practices to manage NFC's workload and place NFC in a position to better measure the impact of improvements.

Current Fiscal Year Performance: NFC has established a Software Engineering Process Group (SEPG), which is responsible for facilitating the implementation of the Software Process Improvement Plan. Implementation is currently underway. The SEPG is on schedule to achieve planned initiatives to hold orientation sessions to introduce selected staff to CMM and the roles and responsibilities of the SEPG. Following these sessions, the SEPG will begin developing procedures to implement the Software Process Improvement Plan.

Experience indicates that successful achievement of CMM Level II typically requires 13 to 52 months, with 32 months as the median. NFC recognizes that it needs to conduct business process engineering and improvements in six key areas to achieve full success: Requirements Management, Software Project Planning, Software Project Tracking and Oversight, Software Configuration Management, Software Subcontractor Management, and Software Quality Assurance. NFC will focus on integrating these six key practices to develop a holistic approach to managing software projects. The time frame for NFC implementation will probably exceed the median 32 month period. Acknowledging its importance, CMM Level II achievement has been included as a corrective action in the Office of the Chief Financial Officer (OCFO) FY 1999 FMFIA Report and will be tracked and reported as an action item.

Program Evaluations: None conducted during FY 1999.

Objective 3.2: Expand the NFC customer base to increase volume and reduce unit cost.

Key Performance Goal

Increase number of newly implemented payroll accounts (number of new employees).	
Target:	10,000
Actual:	3,250

1999 Data: During FY 1999, NFC added 900 Peace Corps employees, 2,000 Farm Service Agency county office employees, and 350 Federal Election Commission (FEC) employees to its payroll system.

Analysis of Results: Although this performance goal was not met by September 30, 1999, NFC did succeed in adding new clients to its payroll service list. The number of new clients to be added, their location, and the number and complexity of transactions associated with them among other things affect the time it takes to implement new clients. Because of the complexity and interrelationship of all of these factors, NFC determined that the 10,000 target for a single fiscal year is not always reasonable. Accordingly, the 10,000 performance goal is now being revised to reflect a 2-year average. This will provide for a much better reflection of the factors which are behind the success of customer implementation. Fully implementing FSA and AID, albeit in October 1999, into NFC's payroll system is a considerable accomplishment for NFC and will contribute towards reducing costs per transaction. The implementation clearly results in an improvement in the competitive unit cost for all of our customers. The chart below reflects the reduction in unit cost pricing, resulting from the increased customer base.

Average Number of Employees		
Fiscal Year	Paid Biweekly	Unit Cost
1998	428,807	$106.52
1999	430,086	$102.36
2000	460,614	$101.73

Description of Actions and Schedules: Accomplishing FY 1999 goals was contingent on converting one-half of FSA's nearly 20,000 county office employees into NFC's payroll system. Due to the large number of FSA sites, the total implementation took longer than anticipated, spanning a 2-year period. The majority of the work occurred in FY 1999, with a small pilot implementation of 2,000 employees in 200 counties and 3 states. Final implementation then occurred in the remaining states involving 150 system users, 2000 county offices, 47 states, and thousands of concerned users in October 1999. When considered on a 2-year basis, the performance goal was exceeded in October 1999, rather than as planned for September 1999, when 18,150 FSA county office employees were added to NFC's payroll system.

Current Fiscal Year Performance: To meet the 10,000 new accounts for future years, NFC's Customer Support staff is actively pursuing participants by demonstrating products and services at conferences and expositions and at meetings with potential clients. NFC is currently working with the U.S. Agency for International Development to parallel test its implementation of 2,200 employees into the Payroll/Personnel System in October 2000. NFC also is marketing its system through formal written proposals to various agencies. In addition, NFC submitted a formal written proposal to the Office of Personnel Management for providing health benefits reconciliation services.

Program Evaluations: NFC operations are reviewed on an annual basis by the Working Capital Fund Executive Committee, which has broad representation from USDA agencies. Copies of the findings and recommendations of the Executive Committee can be obtained by contacting OCFO at 720-1221.

Key Performance Goal

<u>Annual increase in costs, exclusive of increases in research and development and costs associated with increased volume, is less than 50 percent of the increase in the sum of pay costs and inflation, while maintaining high quality service.</u>

Target: Less than 50 percent
Actual: 39 percent

1999 Data: FY 1999 pay cost and inflation increases for NFC were $5.55 million. In order to meet the performance target, NFC's net increase, after offsets for increases in development and workload, could not exceed $2.75 million. Actual cost increases excluding offsets were $2.15 million, or 39 percent, which met the performance goal.

Analysis of Results: NFC exceeded the performance goal. The broad cost drivers in NFC's budget have traditionally been labor and automated data processing (ADP), which collectively make up approximately 80 percent of NFC's budget. NFC managed its performance for this goal in FY 1999 by controlling staffing and non-capital spending. Examples of efficiencies that enabled staffing reductions were expansion of the purchase card system (which replaces more labor intensive ordering and invoicing) and more automation of payroll/personnel processing.

The reductions did not negatively affect NFC's customers, and it is clear that USDA customers want more reductions in cost, based upon various customer surveys.

Current Fiscal Year Performance: NFC continues to focus on cost control and business process engineering efforts. In consultation with the OCFO, NFC is taking proactive steps in FY 2000 to position itself for the future and has the following cost management initiatives planned:

1. Review of all internal development initiatives.
2. Review reduced staffing levels throughout the organization. NFC plans additional staff reductions. Early retirement was offered through December 31, 1999, to minimize the negative impact on current

employees. Twenty-seven employees took advantage of the early retirement opportunity.
3. Assessment of a possible PC seat management contract. Other alternatives for ADP service are also under consideration.
4. Development of "end game" strategies for systems that are being shut down.
5. Development of options to eliminate discretionary mailing and to reduce postage costs.

Program Evaluations: NFC's operating budget, exclusive of support to the Federal Retirement Thrift Investment Board (FRTIB), is subject to annual review by the Working Capital Fund Executive Committee and its working group. Based on FY 1999 actual and FY 2000 planned expenditures, the Executive Committee recommended to:

1. Offset pay cost, inflation, within-grade increases, promotions, and awards through program efficiencies.
2. Strengthen approval and oversight on all development projects.
3. Seek FY 2000/2001 appropriated funds to fund capital projects for FFIS implementation;
4. Proceed with a study of NFC's accounting systems and services to develop better unit cost data.
5. Reassess the current method of distributing the transitional costs of the various systems that will be eliminated with full implementation of FFIS as this is a significant hardship on agencies temporarily remaining in systems being eliminated due to declining economies of scale.
6. Decrease or hold unit costs flat.

Copies of the findings and recommendations of the Executive Committee can be obtained by contacting OCFO at 720-1221.

Objective 3.3: Produce auditable financial information.

OCFO analysis determined that this objective was a strategy to accomplish other performance goals. However, OCFO is working to develop performance measures that address the qualitative aspects of financial information. There were no performance measures for this objective. This change will be reflected in the revised FY 2000 and FY 2001 Annual Performance Plan.

Objective 3.4: Correct internal control deficiencies.

The FY 1999 Annual Performance Plan contained a performance goal for this objective. However, OCFO analysis determined that this measure is a component of measures reported under Objective 1.3, and is therefore discontinued for FY 2000. See **Appendix A** for an explanation regarding the discontinuation of this measure. OCFO has determined that Objective 3.4 should be discontinued because it is a component Objective 1.3, and inclusion here is redundant.

Objective 3.5: Ensure continuity of financial management operations.

Key Performance Goal

Implement the NFC Year 2000 Readiness Project.	
Target:	Complete the Validation and Implementation phases
Actual:	Completed the Validation and Implementation phases

1999 Data: This new objective and performance goal for FY 1999 are not contained in OCFO's revised FY 1999 Annual Performance Plan. The measure was added because of the key role of Year 2000 Readiness in sustaining NFC operations. Performance of the project was measured based on the five-phase GAO model of Year 2000 renovation. The last two of these phases, Implementation and

Validation, were completed in 1999. In addition, remediation of the TSP System code assured that TSP would not experience any problems with the change of century dates.

Analysis of Results: OCFO achieved its performance goal by successfully completing all actions necessary to ensure continuity of NFC operations. The Validation Phase of the readiness project is the testing on the Time Machine. It included testing of applications which were classified as "no change required." Testing for this phase, which included six mission critical production systems, was completed in December 1998. The Implementation Phase involved implementing any production system change that resulted from the validation phase. All identified system changes were accomplished with the result that the March 1999 goal of a complete upgrade of the Information Technology (IT) infrastructure was met.

In preparing for Year 2000, NFC has provided all of its customers with Customer Interface Validation (CIV) opportunities and will continue to do so into FY 2000.

Current Fiscal Year Performance: NFC developed a comprehensive Business Continuity Plan for Y2K. This plan includes a detailed Y2K rollover plan and establishment of an NFC Y2K Command Center linked to the USDA Command Center. NFC has completed transition into FY 2000 with minimal problems and is on target for continuity of operations for FY 2000. This performance goal and Objective have been accomplished and therefore will not be included beyond FY 1999.

Program Evaluations: The NFC's Y2K Project Staff completed internal verification and validation of all IT hardware and software in March 1999. Additionally, an Independent Verification and Validation (IV&V) of 23 million lines of code was done by CCD Online, Inc., and was completed in September 1999. Copies of these reviews can be obtained by contacting OCFO at 720-1221.

OFFICE OF THE CHIEF FINANCIAL OFFICER

DISCONTINUED PERFORMANCE MEASURES

Goal 3: Operate a financial center that produces timely and reliable information and services.

Objective 3.4: Correct internal control deficiencies.

Increase percentage of internal control deficiencies (material weaknesses) identified in external/internal oversight reports that are corrected within an agreed-upon timeframe.

Explanation: This performance goal is being discontinued because it is a component of reporting under Objective 1.3 and inclusion here is redundant.