THE DEPARTMENT OF THE TREASURY

RESULTS REPORT

JULY 2005

MAKING EVERY PROGRAM BETTER EVERY YEAR

THE DEPARTMENT OF THE TREASURY 1789

U.S. DEPARTMENT OF THE TREASURY

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RESULTS FOR FY 2005

The Department of the Treasury is proud to present its Results for FY 2005. The accomplishments and improvements of the Department are represented throughout Treasury. They show how the President's Management Agenda has helped Treasury to manage better, become more efficient, and become more aware of change and the effectiveness it can bring to the workplace. This past fiscal year, Treasury has improved its programs through the President's Management Agenda. This is attributable to the efforts of the employees and their dedication to improvement of Treasury's service to the public. As Treasury looks to the future, it will continue to contribute to the stability of the economy, improve management of the country's finances, and increase the effectiveness of its programs and the benefits they can offer to citizens. Treasury is continually striving every year to ensure that its programs work better.

Managing for Results – The Treasury Mission

Treasury has a results-oriented mission that touches every American. Treasury is the steward of the nation's finances, on the front line in fighting the financial war on terror, the producer of America's coins and currency, and a leader in strengthening the U.S. and global economy. Treasury's focus is to do these things well, and to do them better every year. The scope of Treasury's operations is enormous. Treasury has offices in every state in the union, as well as around the world.

During fiscal year 2005, Treasury has accomplished a lot. Through the end of May in FY 2005, Treasury has…

- collected $1.749 trillion in revenue, and expects to collect $2.05 trillion by the end of this fiscal year.
- disbursed more than 661 million payments totaling $1.074 trillion on behalf of the government.
- collected over $2 billion in delinquent debt and will exceed its target of $3 billion by the end of the fiscal year.
- produced 8.3 billion coins and 5.9 billion paper currency notes.
- improved 3 out of 5 President's Management Agenda (PMA) status scores over last year, achieving a "green-green" result in competitive sourcing.

A Closer Look at the Mission Results

Treasury is accomplishing the core mission of financing the government, creating the conditions for prosperity, and managing the assets entrusted to the government. Its programs are producing more, and performance is improving. The bottom line: Treasury is producing more value for the taxpayer. Below is a synopsis of the results.

Treasury is responsible for making payments on behalf of the government, including Social Security payments, Medicare payments, tax refunds, and generally paying the government's bills. Of the 661 million non-tax payments so far this year, 80% of those payments were made electronically, and the average cost to the government to make each payment was 34 cents.

Treasury is producing billions of coins and currency notes again this year, and Treasury is doing this at a lower cost. Both the Mint and the Bureau of Engraving and Printing (BEP) have streamlined processes and leveraged technology to keep costs down. For fiscal year 2005, BEP's per unit production costs are 15% lower than at the same time last year. The Mint, after an improvement of 20.3% in per unit production costs in FY 2004, has set a goal of lowering its production costs by more than 11% from last year's levels. These improvements will save the taxpayer millions of dollars.

Treasury is focused on value and efficiency in collecting revenue for the government. So far this year, the Internal Revenue Service is meeting or exceeding targets for more than 60% of its corporate performance measures, moving the organization to better performance this year.

Treasury is responsible for collecting a majority of the tax revenue needed to finance the federal government. The principal means Treasury uses to accomplish this responsibility is collecting individual and corporate income taxes. So far this year, Treasury has collected $681.5 billion in individual and corporate income taxes, up 22% from last year. It expects to collect $1.1 trillion by fiscal year-end. This year, Treasury has also returned $145.5 billion to the American taxpayer through individual income tax refunds.

The core mission at the Internal Revenue Service (IRS), a Treasury bureau, is to collect taxes in a fair and consistent manner. An important part of this mission is to reach out to taxpayers to educate them about the tax code and also to provide them

with high-quality customer service. So far this year, the customer service rating of the IRS's toll-free tax help line is 84.8%, while it is providing accurate information on its toll-free lines 87.2% of the time. Even though Treasury is currently exceeding its targets in these areas, it will continue to work to improve its performance.

While the Treasury has collected the majority of tax revenue this year through voluntary compliance, there has also been a focus on better enforcement of the tax code, resulting in $17.7 billion of additional revenue. For example, Treasury initiated a new strategic direction in shelter litigation. This involved developing a global approach that provided for a one-time government-favorable settlement offer followed by a very aggressive litigation plan. The result: a $3.2 billion one-time collection from settling taxpayers.

Treasury is also helping to fight the financial war on terror by contributing financial investigative expertise and resources to the Federal Bureau of Investigation's Joint Terrorism Task Forces and the U.S. Attorney's Office of Anti-Terrorism Task Forces. Treasury staff use their expertise to analyze complex financial information and to assist in disrupting and dismantling terrorist financing. Treasury investigates and freezes accounts suspected of supporting terrorism. By working across government and attacking the finances of terrorists, Treasury is helping make America safer every year.

Treasury continues to make progress in stemming the flow of illegal drugs into the United States. Treasury's work in September 2004 against 23 companies and 118 individuals of the Rodriguez Orejuela drug cartel resulted in law enforcement taking possession of a 432-store chain valued at $215 million. The head of the Colombian National Police stated that it was the "final death-knell for Cali cartel leaders Miguel and Gilberto Rodriguez Orejuela and their financial empire."

Citizen-Centered Results

Treasury is becoming more citizen-centered – listening and answering directly to the people. Treasury uses technology to ensure that there is as little distance as possible between citizens and decision-makers. When Treasury provides individuals and private organizations easier access to information and enables on-line transactions, the citizen wins. Treasury's citizen-centered service improvements are streamlining paperwork, forms, and organizations to make Treasury more agile and responsive to citizens' needs.

To make tax compliance easier for American citizens every year, Treasury leverages the Internet, enabling taxpayers to access the Federal government for information and to transact business. Delivering Treasury services through the Internet helps citizens by quickly addressing taxpayer concerns and needs.

Treasury also used a citizen-centered approach when it expanded use of Pay.Gov program in the collection of excise taxes. Using Pay.Gov, federal excise taxpayers can now file and pay electronically. Treasury's Alcohol and Tobacco Tax and Trade Bureau (TTB) launched an online system for Certificates of Label Approval that allows industry members to file their applications for labels electronically, saving time and money for government and industry by eliminating paperwork.

Treasury responded to citizens' needs by establishing an "eHotline" that allows citizens to submit questions regarding compliance via e-mail. Treasury responds to the queries within 24 hours. In Fiscal Year 2004, Treasury's Office of Foreign Assets Control received 1,964 eHotline queries and has already received 1,253 queries during the first half of FY 2005. Technology helps Treasury get answers to citizens faster and easier.

The TreasuryDirect system was developed as the centerpiece of an effort to achieve all-electronic issuance of securities to the public. TreasuryDirect eliminates the need to issue paper securities through

the mail or at the bank, enabling investors to conduct all of their investment and account management activities online. The program has produced positive feedback from the public. 90% of customers have consistently rated TreasuryDirect as good or excellent.

The Bank Secrecy Act (BSA) is a tool that the U.S. government uses to fight drug-trafficking, money laundering, and other crimes. BSA seeks to prevent banks and other financial service providers from being used as intermediaries to hide the transfer of money derived from criminal activity. Treasury recently initiated an Internet-based system to make BSA data and analytical tools available to authorized users through an easy-to-use, secure, web-based program. This critical initiative, named BSA Direct, integrates collection, retrieval and sharing components. 40% of banks will reduce their paperwork burden by using BSA direct e-filing by the end of FY 2005. The user base for BSA Direct has increased from 582 authorized users in FY 2001, to 2,181 users in FY 2004. Furthermore, this initiative has significantly expanded the filing of BSA data electronically, from 6% in FY 2003 to 20% in FY 2004.

In response to calls for a simpler tax system, Treasury is continuing to reduce taxpayer burden by educating taxpayers and streamlining forms. It delivered two new Earned Income Tax Credit (EITC) web tools this year on IRS.gov that help taxpayers determine if they qualify for the EITC and provide certification status. To further reduce taxpayer burden, the IRS is testing an expanded customer feedback system that focuses on capturing taxpayer problems and suggestions related to systemic issues. In addition, the redesign of certain IRS forms saved 20 million taxpayers more than 90 million hours. Increased filing thresholds saved more than 3 million taxpayers over 8 million hours already in 2005.

The President's Management Agenda

Initiative	FY 2002 Status Progress		FY 2003 Status Progress		FY 2004 Status Progress		Current Status Progress	
Human Capital	R	G	R	G	Y	G	Y	G
Competitive Sourcing	R	Y	R	Y	Y	Y	G	G
Financial Performance	R	Y	R	Y	R	Y	R	Y
E-Government	R	Y	R	Y	R	G	R	Y
Budget-Performance Intergration	R	Y	R	Y	Y	G	Y	G
Improper Payments	R N/A	N/A	N/A	N/A	N/A	N/A	R	Y

The Treasury is working to ensure taxpayer dollars buy more and go farther every year. The President's Management Agenda (PMA) is the executive branch scorecard that directs agencies to focus on results.

Treasury uses the five national initiatives as an important vehicle to better manage the Treasury. The PMA is used as a framework to strengthen Treasury's workforce, lower the cost of doing business through competition, improve financial performance, increase the use of information technology and e-Government capabilities, and integrate budget decisions with performance data. OMB assesses Treasury's status and progress for the PMA initiatives. Initiative "status" describes overall success, and "progress" describes the efforts underway to meet PMA goals.

Treasury is working to achieve more on the PMA every year. In the past year, Treasury has improved its status score in three out of the five government-wide PMA initiatives: Human Capital, Competitive Sourcing, and Budget-Performance Integration. In

fact, Treasury achieved a "green-green" score in Competitive Sourcing. Treasury is also covered by Eliminating Improper Payments, a sixth initiative, new this year and targeted to select agencies.

In the long-run, Treasury is focused not on just getting to "green" in all areas of the PMA (which it is doing) but more importantly, Treasury is focused on creating a "green" organization. In a "green" organization, all of the PMA initiatives work together and leverage one another's successes. For example, in a "green" organization, a skill gap identified by the *human capital* initiative might be resolved through a *competitive sourcing* activity that results in improved *financial performance* reflected in a *performance budget* that is appropriately tracked in our *e-systems*.

While Treasury is not a "green" organization yet, it has many key results that are best described through the PMA. The following sections describe those results.

Strategic Management of Human Capital

Treasury is aligning and adjusting its workforce to meet mission needs, exceed customer expectations, and provide a model of integrity.

Published Treasury's first Human Capital Strategic Plan and Human Capital System for Accountability

Treasury developed a Department of the Treasury Human Capital Strategic Plan for Fiscal Years 2005 – 2008. The Human Capital Strategic Plan (HCSP) establishes a roadmap for attracting and retaining diverse talent to meet future challenges and mission objectives. To ensure that the objectives identified in the HCSP were achieved, Treasury established a Human Capital System for Accountability that will provide the framework for measuring and evaluating how well the Department is doing.

Training the Workforce

For better supervision of national banks, the Examiner Specialized Skills Program (ESSP) develops specialized bank supervision skills in: Asset Management, Bank Information Technology, Capital Markets, Compliance, and Retail Credit. The ESSP is designed to support the Committee on Bank Supervision's priority for building examiner expertise, tracking the inventory of examiner skills in the designated specialty areas, overseeing targeted examiner development programs, (known as National Training Initiatives) and coordinating and leveraging developmental activities.

Highlight: Chief Human Capital Office

A Department-wide working group transformed eight separate bureau Senior Executive Service performance management systems into a single Department-wide pay-for-performance system. The new performance management system fundamentally changed how executive performance was evaluated. Now it differentiates between high and low performers, linking performance to agency mission and goals. It emphasizes observable outcomes and results such as the Program Assessment Rating Tool (PART), the PMA, and analytical performance measures at an organizational level.

Listening to our Employees

Through an annual employee survey, the Treasury gains valuable information to build a stronger workplace. Below are examples of using surveys to improve the workplace.

Based on survey results at the IRS, steady progress is being made in increasing employee engagement in making suggestions that are implemented to improve their work lives. This engagement has increased from 21% in 2001 to an all-time high of 33% in 2004. While a big improvement, Treasury still has more work to do.

At the U.S. Mint, employee satisfaction survey results showed favorable progress in 13 of 14 measured areas over the previous year. Overall, the United States Mint was at or above a comparable industry benchmark in 11 of 14 key areas.

Embracing the 45-Day Hiring Model

The essence of a human resources organization is recruiting and bringing talent on board. Treasury has improved the hiring process by shortening the amount of time it takes to bring new staff on board. Across Treasury, 83% of the Treasury bureaus met or exceeded the 45-day hiring target, with a 32% reduction in hiring time frames.

BUREAU	NO. OF HIRES	PREVIOUS AVG. HIRING TIME	CURRENT AVG. HIRING TIME*
BEP**	9	43	33
BPD**	17	55	35
DO	58	37	36
FMS**	24	36	57
IRS	461	61	33
MINT	20	60	35
OCC	17	58	25
OIG	8	32	32
OTS	6	--	27
TIGTA***	4	--	21
TTB	1	45	18
Treasury Aggregate	625	47	32

*For the period January – April, 2005
**Calendar days converted to work days
***No previous data for comparison.

Human Capital Integrating with Other PMA Components

PMA: e-Gov: Several Treasury bureaus are embracing the Lines of Business e-Gov initiative, outsourcing personnel and payroll functions to Treasury's Administrative Resource Center (ARC), part of Treasury's Franchise Fund, to increase efficiency, realize cost savings, and improve its processes.

PMA: Competitive Sourcing: Due to changes in the way IRS serves taxpayers (Internet, e-filing, etc.), the IRS restructured parts of its workforce using buyout and early out authority and focused the organization on taxpayer compliance. As a result, IRS expects to realign 10% of its workforce to meet these new demands.

Treasury's Bureau of Engraving and Printing reached the end of an era in 2005 with the close-out of more than 100 years of postage stamp production for the U.S. Postal Service. Treasury anticipated its eventual phase-out as a supplier of postage stamps over a decade ago and worked with the Postal Service to implement an orderly phase-down plan. As recently as five years ago, over 500 BEP employees directly or indirectly supported postage stamp production. Through a well-planned downsizing effort featuring separation incentives (buyouts) and employee retraining, postage stamp employment has been reduced to just 50 employees. This major program has successfully been brought to a close without a reduction-in-force and with no adverse cost impact on the currency production program.

Looking Ahead: Human Capital

While the need for today's skills and competencies will not become completely obsolete, new skills and priorities are emerging and the future will require a more modern workforce. The performance culture will shift to one of emphasizing and recognizing accomplishments and outcomes, rather than processes.

Treasury must ensure that it fully utilizes human capital flexibilities and enterprise-wide technology solutions to continue making our human capital

programs and policies better every year. With better programs and policies, Treasury will support human resource delivery, ensure that performance management systems are linked to accomplishments of the organization's missions, and see that bureaus have succession and development plans in place to ensure continuity of leadership.

Treasury's Human Capital PMA Initiative has a yellow "status" for the end of FY 2004, but a "green" in "progress." The PMA focused Human Capital's attention on setting targets, measuring and monitoring progress, and using analyses to modify goals, objectives and action plans. Treasury is focused on "green" for the coming year, with these goals in mind:

√ Succession planning and closing competency gaps, particularly in the HR/Equal Employment Opportunity area.

√ Building skills in performance measurement, using accountability systems, and assessing organizational effectiveness.

√ Educating managers on union/management relationship issues and the changing labor relations environment.

√ Developing the capacity to respond effectively to new Presidential initiatives.

√ Moving to "One Treasury" within the Human Resources community.

Competitive Sourcing

"The government should be market-based—we should not be afraid of competition, innovation, and choice. I will open government to the discipline of competition.

— President George W. Bush

Treasury is improving the cost-effectiveness of its operations every year through competitive sourcing (public-private competition). Competitive sourcing is a tool to make programs more efficient and effective. Under the Federal Activities Inventory Reform (FAIR) Act, Treasury must identify the commercial activities its workforce performs and determine whether they are appropriate for competition. A commercial activity is a job that can be performed by either the private sector or the public sector. Each year, Treasury selects commercial functions and conducts competitions to determine the lowest cost and best value solution for the taxpayer. A competition involves the government and the private sector each preparing a business solution to improve service and lower costs -- they compete with one another. In some cases, the government wins the competition by streamlining and modernizing work processes. In other cases, the private sector wins by proposing a solution that works better and costs less. In either scenario, the taxpayer wins. Treasury anticipates savings as a result of competitive sourcing to top $220 million over the next five years.

Competitive Sourcing Works

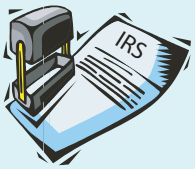
In the last year, what began as a budget tool has matured into a workforce modernization tool, and as an option to address findings from the Program Assessment Rating Tool (PART).

Competitive sourcing solutions have ranged from the re-design of a single office/function; to multi-location, multi-discipline, multi-process operations; to the groundbreaking use of training people with disabilities to staff phone lines for tax information call centers.

Through the end of FY 2004, Treasury has:

- Implemented six studies within the time frames set forth in Circular A-76 (the Competative Sourcing policy)
- Studied 3,100 positions
- Completed 60 competitions (at least one in every bureau)
- Achieved estimated savings of $220 million over the next five years
- Significantly streamlined several Treasury processes

Highlight: IRS



20TH CENTURY

21ST CENTURY

IRS conducted a significant competitive sourcing study of its three Area Distribution Centers. These centers distribute tax forms to taxpayers, but with the availability of forms online, there is less need for sending out paper forms. The IRS' own employees won the competition with a proposal that consolidated the function into a single location. The new center relied on improvements in processes, technology and staffing, and anticipates savings of over $100M. The initiative was awarded "The 2004 President's Quality Award for Innovation."

Real Results Through Competitive Sourcing

Competitive Sourcing Competitions In 2004

BUREAU	PROGRAM	DATE STARTED	DATE COMPLETED	ANNUAL $ SAVINGS
BEP	Machine Parts	March 2003	October 2003	$1,600,000
BEP	Civilian Education & Training	March 2003	April 2004	$340,000
BEP	Liquid Gaseous & Chemical Products	September 2003	June 2004	$400,000
BEP	Custodial Services	February 2004	March 2004	$120,000
IRS	Area Distribution Centers	May 2003	August 2004	$1,609,000
IRS	Campus Operations	October 2003	August 2004	$9,878,000

Getting to "Green"

Treasury received its first "GREEN-GREEN" score on the PMA for our efforts in competitive sourcing. This "green-green" score reflects that both Treasury's progress and status met or exceeded expected results.

Looking Ahead: Competitive Sourcing

Treasury will work to make its competitive sourcing program even better in years to come by pursuing a three-part strategy. First, Treasury is working to ensure that the FAIR Act Inventory standards are consistently applied across Treasury offices and bureaus. The FAIR Act Inventory results give Treasury a database of jobs that might be competed. A consistently constructed FAIR Act Inventory will enable the Department to pursue the second leg of its strategy. This piece, an analysis to assess the need for competitive sourcing, should show where there are bureau-specific or Treasury-wide opportunities to achieve efficiencies or modernize processes through competition. And third, Treasury is working on a shared services business model to deliver competitive sourcing. The shared services business model seeks to network competitive sourcing expertise that exists in one or more bureaus, and offer that expertise on a reimbursable basis to other offices or bureaus seeking to conduct a competitive sourcing study.

Budget/Performance Integration

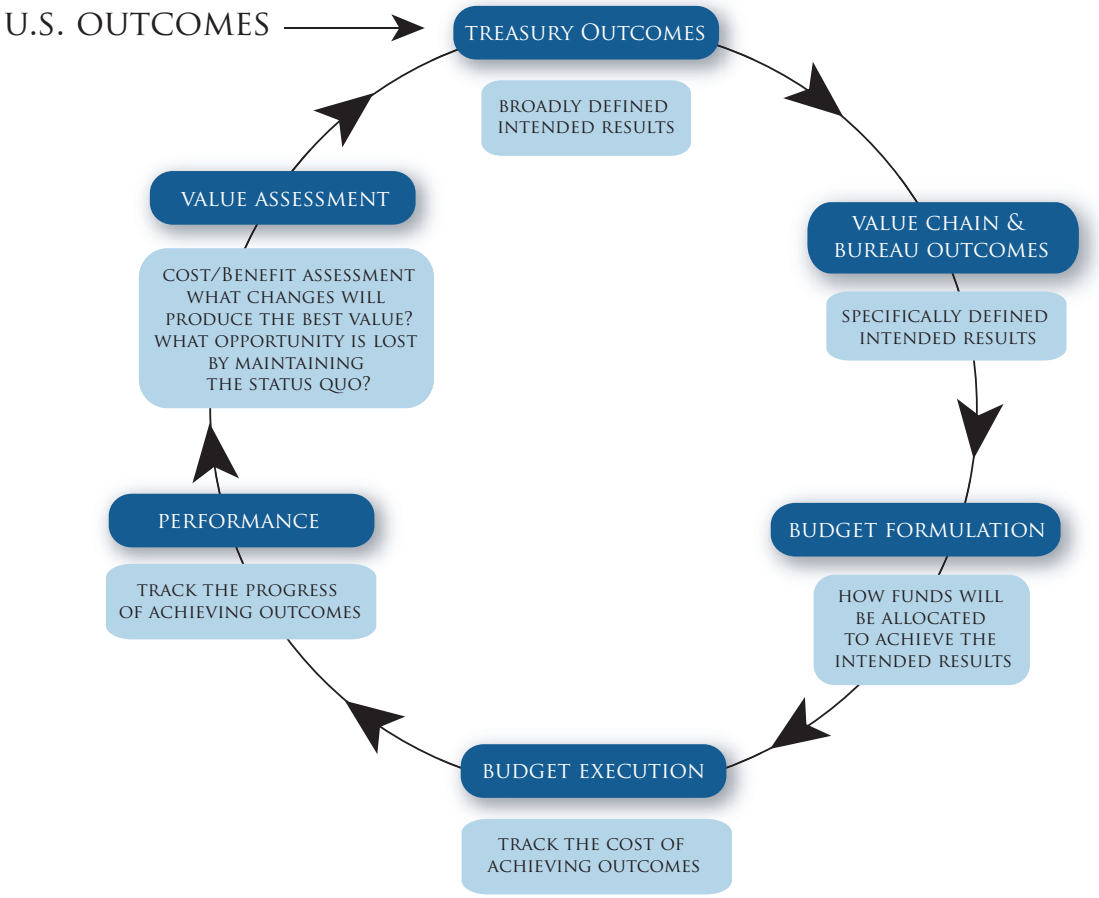
Treasury recognizes the importance of integrating budget and performance disciplines. The competition for federal dollars will become more intense as the years progress, and the ability to ascertain best value for the American taxpayer will be grounded in all government agencies' competency to truly integrate budget formulation, execution and performance. To address this, Treasury reexamined its approach and discovered that the organization employed a very compartmentalized, or silo approach, to budgeting and performance.

Treasury developed an improved management process for assessing value. Treasury is implementing a budget performance life-cycle, based on national priorities and outcomes. This is shown below: "Budget & Performance Intergration & Value Assessment Process."

This process is not discrete nor event-oriented. It is continuous. The Treasury Department must continually assess the value it is producing for the American public. It needs to use all of the tools at its disposal to drive maximum value, and then reevaluate those results in light of changing strategies. The Treasury Department believes this process establishes the basis for creating a performance culture of continuous improvement for the American public.

The implementation of this improved management process is just beginning, and there are positive

Budget & Performance Integration & Value Assessment Process



changes already. All of Treasury's bureaus are focused on outcomes and efficiencies, demonstrating a commitment to improving every year. The PART has evolved into a methodology clarifying long-term goals and performance measures. Through the PART process, program measures are vigorously evaluated to determine alignment with the stated purpose of the program and the long-term goals that have been identified. The bottom line: Treasury is better able to demonstrate results to the taxpayer.

A best business practice is to do more with less every year. A number of bureaus have developed and implemented cost per unit and/or Return on Investment metrics. Efficiency, unit cost metrics, and the concept of producing value for the taxpayer are being driven from a corporate perspective. And, more importantly than anything else, Treasury's employees are beginning to see the possibilities – ways they can integrate this information and manage more effectively.

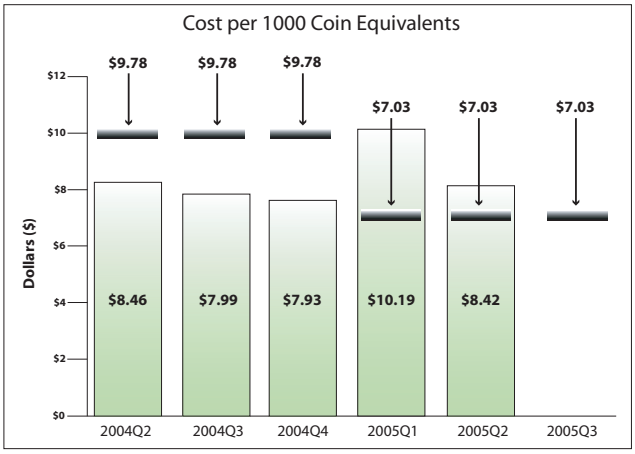
Budget and Performance Integration Results in Better Efficiency and Performance

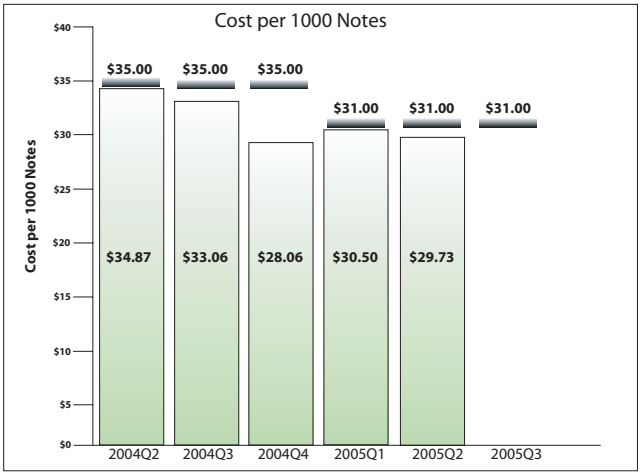
All of the Treasury Department's employees work hard to accomplish the Department's missions. Below are some of the most significant accomplishments, results, and improvements from those efforts, moving Treasury's programs to get better every year.

Improving Efficiency Every Year – Reducing Borrowing costs: Treasury continues to maximize earnings on funds available for investment. During the first seven months of FY 2005, Treasury invested $350 billion of excess cash balances, or almost 60% of its invested cash, through "term investment" auctions. With this investment tool, Treasury earned an additional $12 million above what would have been earned through the Treasury Tax & Loan program. This reduces Treasury's borrowing costs and increases the return on investments, lowering costs for the taxpayer.

Improving Technology Every Year – Leveraging lessons from the PART: In response to an OMB PART recommendation, BEP has implemented pre-press (design and engraving) improvements. This improvement helps keep design costs lower in the "next generation" currency program.

Improving Cost-Benefit Savings Every Year: Treasury tracks several efficiency measures including "Conversion costs per 1,000 coin equivalents" or the cost of turning raw materials into coins. In FY 2004, the conversion costs per 1,000 coin equivalents decreased 20.3% from $9.96 to $7.93. This was accomplished by reducing total conversion costs (total production costs excluding metal) by 3% from $145.6 million to $141 million even as total production increased by 22% over the prior year. The Mint plans to lower costs further in FY 2005, reducing the target cost per 1,000 coin equivalent 11%. In addition, the cost per 1,000 currency notes decreased 4% in FY 2004 as the BEP continued to make productivity gains.

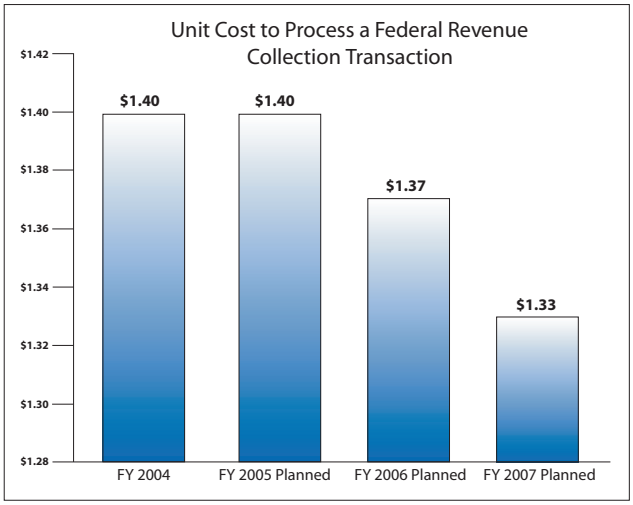




Improving Effectiveness Every Year: Treasury identified and recommended almost 6,000 tax shelter returns to be examined, an increase of 36% over the start of FY 2004. This increased to 6,845 tax shelter returns under examination for the second quarter of FY 2005, a 16% increase while resources remained relatively constant. The results were $1.7 billion collected.

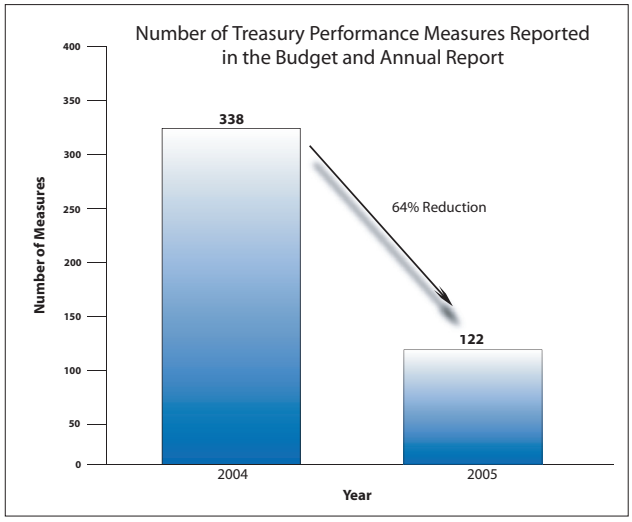
Improving Collections Every Year: The Electronic Federal Tax Payment System (EFTPS) is a tax payment system that offers businesses and individuals the convenience of making their federal tax payments electronically 24 hours a day, 7 days a week. As of May 2005, EFTPS processed over 52 million revenue payments, up 7% from the prior year, totaling $1.164 trillion. Online collections accounted for $127.6 billion of the total, 54% higher than last year.

Treasury, through FMS, administers the Federal Government's collection system, which is the largest in the world, collecting $2.3 trillion annually through a network of over 10,000 financial institutions. FMS continues to improve the efficiency of its collection system. The chart below indicates the cost per collection transaction completed.



Improving Focus on Performance – Balanced Scorecard and Lean Six Sigma: The OCC's Office of Management has implemented a Balanced Scorecard to track accomplishments on the initiatives identified in its business strategy. They also have adopted the principles of Lean Six Sigma to improve the effectiveness and efficiency of work processes. Lean Six Sigma is a methodology to eliminate waste in all operations and minimize non value-added variation across processes and services.

Improving Performance Measure Focus – Reducing Unnecessary Performance Measures: Treasury reported 338 performance measures to the public in 2004. To concentrate only on key results, Treasury assessed the value of each measure and reduced the total number reported to only 122, or a 64% reduction.



Improving Use of Information Every Year— The New Treasury Performance Framework: Treasury is developing a new way for senior Treasury managers to gain a Treasury-wide view on performance. The Treasury Performance Framework is a web-enabled tool that provides quarterly information on all of Treasury's core mission areas or value chains. This framework is a step toward using performance information to allow senior decision-makers to make well-informed operational, policy, and budget decisions.

To get better next year, Treasury is working to develop additional indicators to guide it to greater efficiencies. These include:

- Amount of delinquent debt collected per $1 spent to collect it
- Cost per summary debt transaction
- Cost per debt financing operation
- Cost per conviction (IRS – Criminal Investigations as a result of the PART process)
- Cost per TreasuryDirect customer service transaction
- Cost per federal funds investment transaction
- Protection cost per square foot at the Mint (as a result of the PART process)
- Cost to process an excise tax return
- Exam closures per FTE
- Resources as a percent of revenue at TTB (as a result of the PART process)
- Revenue collected per $1 spent (TTB)

PART Process Successes

OMB's PART provides a solid framework for targeting and designing program improvements that enable Treasury programs to improve every year. This year Treasury launched the PART process with an interactive training session attended by all Treasury bureaus. Each bureau that had previous experience in completing a PART evaluation had the opportunity to share lessons learned. The training session enabled greater involvement and improved the program evaluation quality relative to prior years.

IRS-Criminal Investigations: The PART process has been instrumental in improving the quality of its measures. As a result of the combined efforts of OMB, Treasury, and IRS-Criminal Investigations (a difficult-to-measure law enforcement program), Treasury has developed measures that reflect Criminal Investigation's performance. All parties agreed on outcome, output, and efficiency measures for the program. Measures related to conviction rate, the number of convictions, and cost per conviction were developed through some creative thinking and application brought about through the PART process.

Mint Protection completed a PART review on its Protection Program this year (for the 2007 budget year). The PART review accelerated the Mint's plans to establish an efficiency measure for its Protection program. The Mint developed a protection cost per square foot as an initial means of measuring efficiency, a measure that can be benchmarked with other entities.

Treasury's Alcohol and Tobacco Tax and Trade Bureau (TTB) completed a PART review for their Collect the Revenue program this year. Because of the sharing that took place across bureaus during the PART process, TTB was able to leverage a benchmark study, already completed by the IRS, for using resources as a percent of revenue as an efficiency measure. TTB contacted IRS research offices in Minnesota to discuss the elements of the formula and how it would apply to their activity, an example of working together better every year.

Looking Ahead: Budget and Performance Integration

Treasury has made significant progress in integrating its financial and performance databases this past year. Work is currently underway to begin developing a budget database to complete the integrated suite, bringing performance, budgeting, financial results and strategy into a single analytical framework. Treasury has also implemented an improved process for its program evaluations, and those best practices are being worked into the PART review process to improve the demonstrated effectiveness of Treasury programs.

e-Gov

The Treasury Department is continuing to expand its use of electronic government. Treasury uses the Internet and e-systems as a primary means of disseminating large amounts of data and information as well as supporting online transactions. Through the use of electronic government (e-Gov), Treasury is better able to perform its mission, reduce costs and increase efficiencies, keep its customers informed, and ease the burden on the public.

Increased Cost Savings

E-Gov initiatives have resulted in improved efficiencies and reductions in duplicative IT investments. This resulted in substantial cost savings to Treasury and the American taxpayer.

Electronic tax returns: In 2004,Treasury contracted for the use of software for electronic return preparation and transmission of tax returns. This software which is used by the IRS Volunteer Programs, Taxpayer Assistance Centers, Employee e-File, and Small Business/Self-Employed Disaster Relief represented *annual savings of over $300,000 in the first year*.

Coin Sales. Treasury replaced its e-commerce system for the sale of minted coins and products on the Internet in FY 2004. This new system's contract is expected to *reduce annual operating expenses by $15-$20 million*.

Federal Benefits Payments: Treasury recently completed a six-month pilot marketing campaign of the Go Direct system designed to increase the percentage of federal benefit payments issued via direct deposit. The Go Direct system is expected to generate savings of *approximately $120 million to citizens annually*. These savings are the difference between issuing nearly 160 million benefit checks by direct deposit versus the cost of issuing paper checks.

Investments: The Investment Review Board, which runs the Capital Planning and Investment Control process for national banks, recently implemented a portfolio management framework. This framework ensures that Treasury selects only those IT projects that best support its strategic goals and objectives, resulting in cost avoidance of over *$4.2 million in potential IT expenditures in FY 2004*.

Making a Difference, Making It Simpler

Treasury is committed to making e-Gov improvements that result in improved delivery of information and services to the public as well as enhanced efficiency and effectiveness of government systems and IT management. As part of the Presidential e-Gov Initiatives and Lines of Business and the Expanding e-Gov component of the PMA, Treasury is working to leverage and/or streamline existing Information Technology (IT) systems and services, improve cyber security of assets, and ensure dollars and investments are well-managed and support Treasury strategic goals.

Each quarter, OMB issues its PMA scorecard for all agencies which details progress and overall status in terms of performance relative to PMA requirements. The Department is making significant e-Gov progress across multiple program areas and is working collaboratively across Treasury bureaus and offices to "Get to Green."

Progress in e-Gov

Improved Internal Efficiency and Effectiveness

Business System Modernization (BSM) at Treasury's largest bureau, the IRS, has improved management processes in the past 18 months by:

- Identifying key productivity and quality metrics

- Streamlining governance processes
- Developing a system to integrate management processes
- Strengthening procurement through the use of performance-based contracting techniques

Treasury refined its procedures for ensuring data integrity in its Automated Blocking and Reject Reporting System (ABARR). Thus, it was able to develop an electronic process for the interagency sharing of narcotics and terrorist blocking reports with Treasury's enforcement network. This collaboration enhances Treasury capabilities in support of the war on terror.

Support for Presidential e-Gov Initiatives and Lines of Business

Treasury was designated as a Center of Excellence for the Financial Management Line of Business (FM LoB), and conditionally designated as a Shared Service Center for the Human Resources Management Line of Business (HR LoB). This enables the Department to enter competitions to provide financial management and HR services on a government-wide basis. In April 2005, the Department successfully deployed HR Connect, its enterprise human resources management system, at the Department of Housing and Urban Development (HUD). The deployment at HUD added approximately 9,200 additional employees to the HR Connect system.

Treasury has fully implemented the two initiatives for which it is the Managing Partner Agency – IRS Free File and Expanding Electronic Tax Products for Businesses (EETPB). Free File is the public-private partnership between the IRS and the Free File Alliance, LLC, to bring free online commercial tax preparation and electronic filing services to the lower-income and underserved taxpayer communities. The EETPB initiative reduces the tax-reporting burden on businesses while improving the efficiency and effectiveness of government operations. EETPB comprises several projects that reduce the number of tax-related forms that businesses must file, provide timely and accurate tax information to businesses, and increase the availability of electronic tax filing.

Looking Ahead: e-Gov

Treasury is a government leader in e-Gov, but it can still do more. Below is a sample of what Treasury wants to achieve under the E-Gov initiative in the year ahead.

IT Capital Planning: Continue to strengthen management of Treasury's IT portfolio by focusing on improving project management and IT governance. The goal is to ensure IT projects deliver results on time and within budget requirements.

Enterprise Architecture: Mature the Departmental Enterprise Architecture (EA) in order to manage new IT initiatives, reduce redundant systems or applications, and provide a roadmap for modernization and optimization of an organization's IT environment.

Enterprise Opportunities: Building upon EA efforts, the focus for the year ahead will be to identify additional opportunities to consolidate or leverage existing systems or applications, and continue to expand use of established enterprise services.

IT Security: Improve cyber security practices and controls to ensure Treasury systems and information are protected from, and can effectively respond to, threats and vulnerabilities. Ensure federal privacy standards and guidelines are implemented and enforced.

E-Government: Continue full participation in applicable Presidential e-Gov Initiatives and Lines of Business.

Improving Financial Performance

Treasury is accountable to the American taxpayer for reporting on the public funds of the United States Government. Accurate, timely, and useful financial information makes this possible.

Treasury employs world-class processes to account for public funds. It has led the way by implementing the three-day close of its monthly accounting books and the monthly Treasury statement for the entire federal government. Treasury continues to receive clean audit opinions and is working vigorously on identified material weaknesses.

Treasury successfully implemented the 3-day close initiative to have each bureau close its financial books by the third business day following the end of each month. This is important as it allows Treasury to make decisions based on the most current financial information. The 3-day close also enabled the Department to prepare monthly, quarterly, and annual financial statements on an accelerated basis, making financial data available to internal and external stakeholders faster. Streamlining and accelerating financial reporting is making financial management at the Treasury better every year.

Treasury faces many challenges as the chief steward of the nation's finances. Treasury is focused on ways to improve the management of its programs and achieve results.

Looking Ahead: Financial Performance

Treasury has made a solid effort in improving Financial Performance. Treasury is focused on closing four of the eight current material weaknesses. In addition, Treasury is working to deliver a plan for resolving information systems issues, revenue accounting, and financial statement preparation deficiencies unique to the work of IRS. These are key milestones on the road to "green." Treasury will continue its best practices of closing its financial books in a timely manner and assessing the information each quarter to preemptively address future challenges as they arise.

Eliminating Improper Payments

The Improper Payments Information Act of 2002 (IPIA) requires agencies to review their programs and activities annually to identify those that are susceptible to high-risk erroneous payments. "High Risk" means that an estimated error rate exceeds the threshold of 2.5% and is equal to or greater than $10 million.

Risk Level	ACTION(S)
High 2.5% error rate and ≥ $10M	Take statistical sample/estimate level of improper payments
Medium	Bureau discretion whether to sample and estimate
Low	No action

Treasury, in keeping with making every program better every year, has taken steps to correct erroneous payments. Treasury's corrective action plans require:

1. developing annual reduction targets
2. mitigating payment risk susceptibility
3. achieving reduction targets.

Treasury's implementation of IPIA included reviews of its pre-payment and post-payment controls to minimize the risk of improper payments. In implementing the Recovery Act, Treasury has increased its controls over payments to the point that only one program, the Earned Income Tax Credit, is currently at high risk. During FY 2006, a corrective action plan will drive the actions needed to reduce improper payments in that program.

Looking Ahead: Eliminating Improper Payments

Treasury will continue to reduce improper payments. In Fiscal Year 2006, Treasury will work with bureaus to improve risk assessments and coordinate with bureau Chief Financial Officers to identify and review milestones within this program to improve performance. A proposal is being developed for a best practices guide focused on detecting, preventing, and recovering improper payments.

Highlight: D.C. Pensions

Treasury's Office of D.C. Pensions has made strides in reducing erroneous benefit payments. The Office conducts a monthly quality assurance review on a statistical sample of all new retirement calculations made by the District. During the period of October 2002 to July 2003, 21% of the cases reviewed had a calculation error. Due to efforts to identify the sources of problems and conduct training to address them, retirement calculation errors have dropped to 7% during the period of November 2003 to March 2005.

Conclusion

The considerable efforts of Treasury employees across the Department have resulted in significant progress in making every program better every year. Treasury's results to date are a definitive source of pride for the work accomplished. Every member of Treasury is able to point to improvements in their daily activities. In acknowledging this forward movement, the Department also recognizes that considerable opportunities for continued improvement remain, and Treasury is committed to even better results in the future. As a Department, these additional challenges will be met only through the continuing dedication of its greatest asset – Treasury's employees.