

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT
BUDGET ACTIVITY 9: CHIEF FINANCIAL OFFICER

SCOPE OF ACTIVITY

The mission of the Office of the Chief Financial Officer (OCFO) is to lead the Department's Headquarters and Field Office officials in the practice of sound financial management in program development and operations, and in the stewardship of public resources. The CFO advises the Secretary on all aspects of financial management. The CFO ensures that the Department establishes and meets financial management goals and objectives and that the Department is in compliance with financial management legislation and directives. The scope of activity cross-cuts the entire Department. The CFO is responsible for the preparation, justification, and monitoring of the Department's annual budget. In addition, the CFO establishes policies and standards for development, maintenance, operation, and evaluation of the Department's financial management systems, including: budget and accountings, internal control, financial reporting, asset and credit management, and systems to audit compliance with financial management and related requirements. The CFO also provides accounting services for administrative and operating activities of the Department. The CFO also has responsibility for overseeing the Departmental implementation of the Government Performance and Results Act (GPRA), including the annual performance plan and the annual performance and accountability report.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

WORKLOAD

The workload of the Office of the Chief Financial Officer is essentially defined by the following key objectives:

- Prepare, justify, and monitor the annual budget;
- Prepare, justify, and monitor the annual performance plan;
- Establish and maintain integrated financial management systems;
- Improve Departmental management of asset and credit management functions;
- Develop a strong internal control program that effectively addresses material weaknesses and reportable conditions in the Department;
- Produce audited consolidated financial statements;
- Develop uniform financial management policies and procedures;
- Process all accounting transactions and payments; and
- Coordinate Departmentwide audit resolution activities.

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TRAVEL

The table below identifies travel requirements:

	<u>ACTUAL 2004</u>	<u>ENACTED 2005</u>	<u>ESTIMATE 2006</u>	<u>INCREASE + DECREASE - 2006 vs 2005</u>
	(Dollars in Thousands)			
Travel (HQ).....	\$266	\$240	\$240	...
Travel (Field).....	96	50	50	...
Total	<u>362</u>	<u>290</u>	<u>290</u>	<u>...</u>

Travel funding is required to fully carry out OCFO responsibilities for improving Departmental financial management. OCFO travel will focus attention on program delivery operations at the Field office level and will provide oversight and review for: asset and credit management; debt collection; resolution of audit findings and internal control weaknesses; and test and establish internal controls.

CONTRACTS

	<u>ACTUAL 2004</u>	<u>ENACTED 2005</u>	<u>ESTIMATE 2006</u>	<u>INCREASE + DECREASE - 2006 vs 2005</u>
	(Dollars in Thousands)			
Management Studies.....	\$1,046	\$5,843	\$5,842	\$-1
Technical Services.....	579	1,066	1,066	...
General Support.....	176	4,411	4,411	...
Training Support, Non-Federal Employment.....	145	200	200	...
Total	<u>1,946</u>	<u>11,520</u>	<u>11,519</u>	<u>-1</u>

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Management Studies

Fiscal year 2005

Funding is required on-demand Resource Estimation and Allocation Process (REAP) studies based on continuing modifications to existing HUD programs, organizational realignments and other changes. Determination of the best option for meeting the Federal Accounting Standards at HUD and the feasibility of using data in REAP and TEAM to allocate S&E costs across programs will also be completed. Additional support for the submission of the OCFO IT Planning Support preparation and submissions are required. This includes completion of written procedures to ensure all WCF activity related to software acquisition and development is properly identified and recorded.

Fiscal year 2006

Funding is required for on-demand Resource Estimation and Allocation Process (REAP) studies based on continuing modifications to existing HUD programs, organizational realignments and other changes. Determination of the best option for meeting the Federal Accounting Standards at HUD and the feasibility of using data in REAP and TEAM to allocate S&E costs across programs will also be continued. Support for the submission of the OCFO IT Planning Support preparation and submissions will be continued. This includes completion of written procedures to ensure all WCF activity related to software acquisition and development is properly identified and recorded. Support for Departmentwide training on the execution of Full-Time Equivalencies and the inter-relationships with the Department's Human Capital strategies. Support for e-Travel Services as part of the President's Management Agenda E-Gov Requirements.

Funding is required to meet the new requirements of the Improper Payments Information Act of 2002, which include annual measurement and PAR reporting of improper payment levels and efforts to reduce improper payments. Funding is required for contracted services to cover the estimated annual cost of providing for a comprehensive consolidated error measurement study of the \$24 billion expended on HUD's various rental assistance programs.

HUD has identified initial commercial functions for competitive public-private cost comparison studies - with consideration of both outsourcing and in-sourcing opportunities for cost efficiency savings and improved service delivery - and initiated studies to meet the "competitive sourcing" goals of the President's Management Agenda. These studies will continue to cross fiscal years and become more intricate as additional studies are undertaken. Funding is required to support the coordination and processing of the multi-studies and the Department's goal of meeting the President's Management Agenda.

In accordance with HUD's revised Handbook for the Administrative Control of Funds and fiscal year 2003 Appropriations Act requirements funding is required to continue funds control training and to support internal controls over HUD's Salaries and Expenses (S&E) and Working Capital (WCF) Funds. The CFO will continue to act timely on possible Anti-deficiency Act violations; improve the documentation of HUD's funds control processes; and conduct cyclical compliance reviews by reviewing one-third of Funds Control Plans in each fiscal year.

Technical Services. Examples of technical services contracts include:

- FirstGov.Gov. The Department has a Memorandum of Agreement (MOA) authorizing fiscal year payments for information services that links visitors to information and services posted on Federal websites. The Federal Government will help our citizens gain one-stop access to existing Government information and services, increase Government accountability to its citizens;
- Economy Act Agreement. Provides for an agreement with the Small Business Administration (SBA) to reimburse SBA for costs incurred by SBA to certify small disadvantaged businesses;
- Ancillary Lockboxes. In support of an agreement with the Treasury Department to receive funds due the Federal Government.
- CFO Council. The Council supports two Governmentwide initiatives outlined in the President's Management Agenda: Improved Financial Performance and Expanded Electronic Government. It also provides support to Congressional Committees and Subcommittees dealing with governmentwide financial issues, which stands to benefit the Department.

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General Support Services. Examples of General Support contracts include:

- Executive Personnel Services, Inc., provides temporary clerical and accounting support for the organization whenever critical vacancies or exigencies occur.

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OFFICE OF THE CHIEF FINANCIAL OFFICER
 Personal Services
 Summary of Change
 (Dollars in Thousands)

<u>Personal Services</u>	<u>FTE</u>	<u>S&E Cost</u>
2004 Actual.....	225	\$31,236
2005 Appropriation.....	227	33,775
<u>Changes Due To</u>		
2006 January Pay Raise.....	0	415
2005 Jan. PR.....	0	211
Staffing increase/decrease.....	11	1,103
Other benefit changes.....	0	1,881
2006 Request.....	238	\$37,385

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OFFICE OF THE CHIEF FINANCIAL OFFICER
 Summary of Requirements by Grade
 Salaries and Expenses
 (Dollars in Thousands)

	<u>2004 Actual</u>	<u>2005 Appropriation</u>	<u>2006 Request</u>	<u>Increase/ Decrease</u>
Grade:				
Executive Level	1	0	0	0
Executive Service	6	6	7	+1
GS-15	29	28	29	+1
GS-14	39	36	41	+5
GS-13	66	64	66	+2
GS-12	25	25	27	+2
GS-11	12	9	9	0
GS-10	4	4	4	0
GS-9	15	14	14	0
GS-8	6	6	6	0
GS-7	24	25	25	0
GS-6	3	2	2	0
GS-5	1	3	3	0
GS-4	6	2	2	0
GS-3	3	2	2	0
GS-2	2	1	1	0
GS-1	0	0	0	0
Total Positions	242	227	238	+11
Average ES Salary	\$140,883	\$143,701	\$146,575	+\$2,874
Average GS Salary	\$74,685	\$76,178	\$77,702	+\$1,524
Average GS Grade	11.6	11.7	11.8	+0.1

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OFFICE OF THE CHIEF FINANCIAL OFFICER
 Summary of Requirements by Object Class
 Salaries and Expenses
 (Dollars in Thousands)

<u>Object Class</u>	<u>2004 Actual</u>	<u>2005 Appropriation</u>	<u>2006 Request</u>	<u>Increase/Decrease</u>
Personal Services.....	\$31,236	\$33,775	\$37,385	+\$3,610
Travel and Transportation of Persons.....	362	290	290	0
Transportation of Things.....	320	1	1	0
Rent, Communication & Utilities.....	24	23	23	0
Printing and Reproduction.....	123	102	103	+1
Other Services.....	1,946	11,520	11,519	-1
Supplies and Materials.....	99	83	83	0
Furniture & Equipment.....	2	1	1	0
Insurance Claims & Indemnities.....	0	1	1	0
Total Obligations.....	\$34,112	\$45,796	\$49,406	+\$3,610

Included in the 2006 personal services object class are all salaries and personnel benefits including health and life insurance, the Government's contribution to employee retirement plans, accrued leave, and reimbursement for costs incurred during transfers, as well as salary and overtime payments and payments made to the Employees' Compensation Fund for the medical support of former employees who have job-related medical problems. Also included are payments to or for former personnel, including payments to the Federal employee Compensation Account (FECA) administered by the Department of Labor. The \$3,610 thousand increase in personal services costs in fiscal year 2006 include all salaries and personnel benefits for CFO personnel.

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**OFFICE OF THE CHIEF FINANCIAL OFFICER
 Performance Measurement Table**

Program Mission: This mission of the Office of Chief Financial Officer (CFO) is to lead the Department's Headquarters and Field Office officials in the practice of sound financial management in program development and operations, and in the stewardship of public resources.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2004 Plan	2004 Actual	2005 Plan	2006 Plan
HUD financial statements receive unqualified audit opinions, and the preparation and audit of HUD's financial statements is accelerated.	Inspector General's Audit	100%	0%	100%	100%
Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.	Audit Resolution and Corrective Action Tracking System - ARCATS	100	100	100	100
Support the Department's progress in meeting the Presidential Management Agenda goals.	Quarterly OMB Scorecards	100%	100%	100%	100%
Better alignment of budgetary resources with Strategic Plan goals and performance results.	Annual Budget Justifications	100%	100%	100%	100%
Modernize the existing HUD Central Accounting and Program System (HUDCAPS).	OMB 300B Submissions	100%	100%	100%	100%

EXPLANATION OF PERFORMANCE

In fiscal year 2006, the Office of the Chief Financial Officer proposes \$39,918 million in S&E funding to support Strategic Goal EM: Embrace high standards of ethics, management, and accountability. The mission of the Office of the Chief Financial Officer (OCFO) is to lead the Department's Headquarters and Field Office officials in the practice of sound financial management in program development and operations, and in the stewardship of public resources. The CFO advises the Secretary on all aspects of financial management. The CFO ensures that the Department establishes and meets financial management goals and objectives, in compliance with federal financial management requirements established by the Congress and OMB. The scope of activity crosscuts the entire Department. The CFO is responsible for the preparation, justification, and monitoring of the Department's annual budget. The CFO also establishes policies and standards for development, maintenance, operation, and evaluation of the Department's financial management systems, and provides systems support and accounting services for the administrative and general program activities of the Department. Other responsibilities include the direction and oversight of the Department's management control program, competitive sourcing activity, audit resolution, asset and credit management, and consolidated financial reporting. The CFO also has responsibility for overseeing the Department's implementation of the Government Performance and Results Act (GPRA), including input on the strategic plan and lead responsibility for development of the annual performance plan and the annual performance and accountability report.

Indicator: HUD financial statements receive unqualified audit opinions.

HUD received an unqualified audit opinion on its annual consolidated financial statements for 4 consecutive fiscal years, 2000 - 2003, a strong indicator of the success of HUD's efforts to stabilize its financial management systems and operating environment. However, the Office of the Inspector General (OIG) was unable to complete its audit of HUD's fiscal year 2004 consolidated financial statements before the Office of Management and Budget's accelerated deadline of November 15, 2004, and had to issue a disclaimer of an audit opinion. HUD management is unaware of any issue that would have precluded the Department from receiving an unqualified audit opinion on its fiscal year 2004 financial statements had the OIG been given additional time to complete its audit. HUD is working with the OIG to improve the plans and timeline for the fiscal year 2005 financial audit and expects an unqualified opinion for fiscal year 2005. HUD will also reduce the number of material internal control weaknesses and reportable conditions disclosed in the OIG's annual financial statement audit. In the fiscal year 2003 audit, HUD reduced the number of material weaknesses from 3 to 2 and the number of reportable conditions from 10 to 7. HUD eliminated an additional reportable condition in fiscal year 2004; however, a new material weakness and a new reportable condition issue were reported by the OIG in fiscal year 2004. HUD plans to eliminate 3 of the 10 existing internal control deficiency issues in fiscal year 2005, and is making progress on plans to eliminate all of the other remaining issues. HUD also continues to accelerate the preparation and reporting of its financial statements to provide more timely information for program decision makers in the Congress and Executive Branch. In fiscal year 2004, HUD began issuance of quarterly financial statements within 21 days after the end of each quarter. Issuance of HUD's annual audited consolidated financial statements for fiscal year 2003 was accelerated by 6 weeks to December 19, 2003. HUD plans to issue its annual audited financial statements within 45 days after the end of the fiscal year for fiscal year 2005 and each year thereafter.

Indicator: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.

The CFO fulfills the Departmental Audit Liaison function for HUD, with responsibility for providing policy, procedures, systems and oversight to assure the timely resolution of internal and external audit work conducted by the HUD Office of Inspector General (OIG). The Inspector General Act of 1978, as amended, establishes requirements for the timely resolution and reporting on OIG audit recommendations by agency managers. By statute, agency managers have six months from the date of issuance of an audit report to reach acceptable management decisions on OIG audit recommendations. HUD achieved its goal of "no overdue" management decisions for the last seven semi-annual reporting cycles ending on September 30, 2001, March 31, 2002, September 30, 2002, March 31, 2003, September 30, 2003, March 31, 2004 and September 30, 2004. HUD previously only achieved this goal one other time since audit resolution tracking began under the Inspector General Act of 1978. During the last seven reporting cycles, timely management decisions were reached on 2,838 audit recommendations. In addition, final actions were completed on 2,906 audit recommendations, as HUD continues to reduce the number of overdue final actions on audit recommendations. HUD began the pending March 31, 2005 reporting cycle with 255 new audit recommendations requiring management decisions, and 868 audit recommendations pending final action.

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Indicator: Support the Department's progress in meeting the Presidential Management Agenda goals.

The CFO provides oversight in the development and implementation of planned actions in support of the President's Management Agenda. Internal goals include achieving "green" progress scores on all eight initiatives and improved baseline goal scores on five of eight initiatives in fiscal year 2005. For the first quarter fiscal year 2005, HUD received six green and two yellow progress scores on its eight initiatives. HUD has moved baseline goal scores on two initiatives from red to yellow.

Indicator: Better alignment of budgetary resources with Strategic Plan goals and performance results.

The Department's budget justifications have been enhanced through the use of improved program performance indicators required under the Government Performance Results Act. The Department has reduced and focused its performance indicators on measuring outcomes as well as higher quality output indicators that support HUD's Strategic Goals and Objectives with special emphasis on Presidential and Secretarial priorities. The CFO continues to maintain the Resource Estimation and Allocation Process (REAP) and the Total Estimation and Allocation Methodology (TEAM) to support management decisions on resource requirements and allocations to meet HUD's program delivery and oversight needs. In support of the multiple budget cycles overlapping this fiscal year, REAP/TEAM information has been used to develop the fiscal years 2005 and 2006 budget justifications.

Indicator: Modernize the existing HUD Central Accounting and Program System (HUDCAPS).

The CFO has refreshed the Department's "vision" for an upgraded and comprehensive financial management system. The define phase, the initial phase for the next generation core financial management system known as the HUD Integrated Financial Management Improvement Project (HIFMIP), was completed in July 2004. The initial phase assessed the feasibility, risks and costs of various options for the next generation core financial management system for the Department. HUD is now in the requirements phase of the selected approach for a new integrated core financial management system. At the same time, HUD continues to enhance current financial systems to maintain technical currency and to comply with changing program and regulatory requirements.

Overall Summary of Chief Financial Officer Staff Requirements

	FTE			Increase + Decrease - 2006 vs 2005
	Estimate 2004	Estimate 2005	Estimate 2006	
Headquarters.....	173.1	174.0	187.9	+13.9
Field	52.0	53.0	50.0	-3.0
Total	225.1	227.0	237.9	+10.9

Summary of Chief Financial Officer Staff Requirements

	Estimate 2004	Estimate 2005	Estimate 2006	Increase + Decrease - 2006 vs 2005
<u>Headquarters Employment</u>				
CFO Immediate Staff & Mgmt Staff	18.5	19.4	20.0	+0.6
OACFO for Accounting	46.0	47.0	48.0	+1.0
OACFO for Financial Management	26.6	25.6	31.0	+5.4
OACFO for Budget	46.0	46.0	48.0	+2.0
OACFO for Systems	36.0	36.0	40.9	+4.9
Total	173.1	174.0	187.9	+13.9
<u>Field Employment</u>				
CFO Accounting Center	52.0	53.0	50.0	-3.0
Total	52.0	53.0	50.0	-3.0
	225.1	227.0	237.9	10.9

Detail of Chief Financial Officer Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2004			Fiscal Year 2005			Fiscal Year 2006				
		Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE
Headquarters Employment (CFO Accounting)												
CFO Immediate Staff & Mgmt Staff												
Perform Management Oversight, Policy and Guidance	NA	...	...	9.6		...	...	6.1		...		6.0
Provide Administrative Support	Number of Personnel Supported	225	83.00	8.9	32.0	227	76.00	8.3	21.0	238	79.00	9.0
Provide Legal Support	N/A							5.0				5.0
Subtotal				18.5				19.4				20.0
OACFO for Accounting												
Perform Management Oversight, Policy and Guidance	NA	...	...	2.5	0.5	...	...	3.0		...	...	4.0
Prepare Consolidated Reports and Financial Statements	NA	...	...	11.0		...	...	11.0		...	...	11.0
Process Cash Reconciliations	Number of Cash Reconciliations Processed	115	327.40	18.0		115	327.40	18.0		115	326.00	18.0
Process Payments and Collections	Number of Payments and Collections Processed	20,400	1.08	10.5		21,300	1.08	11.0		21,300	1.08	11.0
Administer Travel for HUD	NA	...	...	4.0		...	...	4.0		...	...	4.0
Subtotal				46.0				47.0				48.0
Field Employment (CFO Accounting)												
CFO Accounting Center												
Perform Management Oversight, Policy and Guidance	NA	...	...	2.0	1.0	...	...	2.0	1.0	...	...	2.0
Perform Special Projects and Quality Control/Audit Support	NA	...	...	1.0		...	...	1.0		...	...	1.0
Perform Reconciliations	Number of Reconciliations Completed	192	65.00	6.0		192	65.00	6.0		192	65.00	6.0
Process Obligation Documents	Number of Obligating Documents Executed	46,000	0.45	10.0		46,000	0.45	10.0		46,000	0.45	10.0
Perform Loan Accounting for Loan Portfolio	Number of Loans Managed	5,798	2.16	6.0		5,798	2.53	7.0		5,798	2.50	7.0
Process Payments	Number of Program Payments Processed	31,000	0.27	4.0		31,000	0.27	4.0		31,000	0.27	4.0

Workload Guideline	Workload Indicator	Fiscal Year 2004			Fiscal Year 2005			Fiscal Year 2006				
		Projected Accomplishment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/Allocation	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/Allocation	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE
Provide Travel Voucher and Order Support	Number of Travel Vouchers Processed	29,800	0.42	6.0		29,800	0.42	6.0		25,000	0.42	5.0
Provide Relocation Support	Number of Relocation Requests Processed	54	193.33	5.0		65	193.33	6.0		43	193.33	4.0
Provide Commercial Invoice Processing	Number of Invoices Processed	36,000	0.70	12.0		33,100	0.69	11.0		33,100	0.69	11.0
Subtotal				52.0				53.0				50.0
Total CFO Accounting				98.0				100.0				98.0
Headquarters Employment												
OACFO for Financial Management												
Perform Management Oversight, Policy and Guidance	NA	...	...	3.0		...	...	3.0		...	...	6.0
Perform FERA and Compliance Reviews	NA	...	...	17.6		...	...	13.0		...	...	15.4
Perform Audit Coordination	Number of Audits Reports (GAO and OIG) Issued	198	64.00	6.00		150	64.00	4.6		150	64.00	4.6
Perform Funds Control	NA							5.0				5.0
Subtotal				26.6				25.6				31.0
OACFO for Budget												
Perform Management Oversight, Policy and Guidance	NA	...	...	4.0		...	...	4.0	2.0	...	...	2.0
Perform Budget Formulation (S&E)	NA	...	...	4.0		...	...	4.0		...	...	7.0
Perform Budget Execution (S&E)	NA	...	...	4.0		...	...	4.0		...	...	4.0
Perform Budget Formulation (Program)	NA	...	...	10.0		...	...	10.0	1.0	...	...	9.0
Perform Budget Execution (Program)	NA	...	...	7.0		...	...	7.0		...	...	7.0
Perform Periodic Reporting and GPRA-related activities; help produce Strategic Plan and Annual Performance Plan	NA	...	...	3.0		...	...	3.0		...	...	3.0
Provide Budget Systems Support	NA	...	...	7.0		...	...	7.0		...	...	7.0
Coordinate Departmental Resource Management Activities	NA	...	...	7.0		...	...	7.0		...	...	9.0
Subtotal				46.0				46.0				48.0
OACFO for Systems												
Perform Management Oversight, Policy and Guidance and Monitoring for the ACFO Financial Systems	NA	...	...	13.0		...	...	13.0		...	...	13.0
Formulate Financial Policy and Procedures	NA			13.0		...	...	...		...	...	...
Manage CFO's Financial Systems	Number of Systems Supported	18	1,165.00	10.0		18	1,165.00	10.0		18	1,165.00	10.0

Workload Guideline	Workload Indicator	----- Fiscal Year 2004 -----			----- Fiscal Year 2005 -----			----- Fiscal Year 2006 -----				
		Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE
Perform Capital Planning and Evaluation	NA	...	...	...		...	...	5.0		...	...	6.9
Provide Management and Oversight	NA	...	...	...		...	...	3.0		...	...	4.0
Design and Perform Test and Analysis	NA	5.0		7.0
Subtotal				36.0				36.0				40.9
Total				225.1				227.0				237.9

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HEADQUARTERS EMPLOYMENT

EXPLANATION OF CHANGES FROM FISCAL YEAR 2005 TO FISCAL YEAR 2006

The additional 11 FTE in fiscal year 2006 will be dedicated to support the OCFO's mission in providing leadership in financial integrity, fiscal responsibility and institutional accountability to the Department. This modest increase will enable the OCFO to continue to support the President's Management Agenda.