The following table summarizes the major management challenges and high-risk areas facing the Department of Treasury and its bureaus as identified by the sources listed below. Included in the table are actions taken by the respective bureau during FY 2001 to address the particular challenge.

Sources:

- General Accounting Office (GAO): "Major Management Challenges and Program Risks: Department of the Treasury," GAO-01-254, January 2001.
- Office of the Inspector General (OIG): Letter to the Honorable Richard K. Armey from Treasury Inspector General Jeffrey Rush, Jr., December 1, 2000.
- Treasury Inspector General for Tax Administration (TIGTA): Letter to the Honorable Richard K. Armey from TIGTA David C. Williams, December 1, 2000.

Management Challenge/ High-Risk Area	FY 2001 Actions
E1. Promote Domestic Economic Growth	
Safety and Soundness of the Banking Industry (OIG) Office of Comptroller of the Currency (OCC) and Office of Thrift Supervision (OTS) face challenges presented to the banking and thrift industry by the slowing economy and the passage of the Gramm-Leach-Bliley Financial Services Modernization Act of 1999.	Treasury's two bank regulatory agencies, OCC and OTS, which supervise a substantial number of U.S. commercial banks and thrift savings institutions, recognized the IG's challenge and have responded through timely, effective examinations. OTS examiners have emphasized credit reviews and paid particular attention to business-related loans. To meet the additional regulatory and supervisory challenges stemming from *Gramm-Leach-Bliley,* which lifted restrictions on affiliations of banks, securities firms and insurance companies, OCC examiners applied modern practices and tools to identify potential risks posed by the banking industry's rapidly evolving financial products.
E2. Maintain U.S. Leadership on Global Economic Issues	
Regulation of Commercial Trade and Trade Enforcement (GAO and OIG) The automated system Customs uses to process merchandise is outdated and unable to keep up with trade demands.	Customs plans to implement an "account" view of the trade community, so that companies can be evaluated in terms of their compliance risk. This will allow Customs to focus its resources on individuals / companies / industries with poor records. The timeframe for this modernization is 2003. Additionally, Automated Commercial Environment (ACE) will integrate and modernize the risk management system in the commercial environment and improve the targeting and selectivity results and provide an extensive analytical capability. This modernization is scheduled in 2004.
F4. Collect Revenue Due to the Federal Government	
Revenue Protection by ATF and USCS (OIG) Stronger internal controls and systems improvements are needed at both ATF and USCS to increase revenue collected.	ATF has developed stronger internal controls and system improvements to ensure that all revenue owed is collected. These efforts include a tax gap study, advanced training, the integration of ATF systems, and a targeting program that identified alcohol and tobacco taxpayers that may be difficult to collect from. In addition, ATF and the FMS are developing ways for industry members to electronically file reports and returns and pay their excise taxes and fees. Customs will utilize the new Automated Commercial Environment (ACE) to increase revenue collected by making trading companies aware of current duty rates, trade agreements, and classification rulings, providing alternative payment mechanisms, reducing administrative overhead, and establishing better internal controls. All will be accomplished in phases throughout the development cycle for ACE, from 2003 through 2005.
Internal Revenue Service Modernization (GAO and TIGTA) The Internal Revenue Service's operations are facing various issues and challenges in transitioning to its new structure. Substantial work remains for IRS's modernization before expected results are achieved	Following Restructuring and Reform Act of 1998 (RRA 98) directions, IRS designed and made substantial progress in implementing a new modernized IRS organized around customers with similar needs. The new organization focuses on providing service in three key program areas: pre-filing, filing, and post-filing compliance. The modernized IRS organization was officially inaugurated on October 1, 2000. The final stages of implementation, including the redistribution of workload, will require another year through FY 2002.

Management Challenge/ High-Risk Area	FY 2001 Actions
Financial Management Affecting Treasury's Role as Fiscal Agent (GAO) Improvements are needed in collecting delinquent debt owed to the Government, computer security controls, and preparing reliable U. S. financial statements.	**Collecting Delinquent Debt Owed to the Government:** In FY 2001, The FMS implemented two more payment types for offset: Social Security Benefit and Federal salary. It also expanded the Continuous Levy (Offset) Program to include Federal Salaries. In addition, FMS developed improved procedures to monitor agencies' plans for referral of delinquent debt for cross-servicing, requested that the Office of Management and Budget (OMB) develop audit guidelines for eligible debts, and worked with private collection agencies to address their concerns with the distribution of delinquent debt to them for collection. **Computer Security Controls:** FMS developed an aggressive corrective action plan to fully address computer security deficiencies identified by GAO. **Preparing Financial Statements for the Government:** BPD, as it has since 1997, received unqualified opinions by outside auditors for annual financial statements representing nearly $5.9 trillion in Federal Debt, as well as the financial statements for Loans Receivable, Federal Investments and Managed Trust Funds. At the Treasury level, a task force brought together OMB and GAO that analyzed the current process for preparing the *Financial Report of the U.S. Government*. It issued recommendations designed to resolve the current audit findings on the *Financial Report* compilation process.
Processing Returns and Implementing Tax Law Changes During the Tax Filing Season (TIGTA) Implementation of computer programming changes, reduction of tax form complexity and taxpayer burden, and other related issues remain a challenge for the IRS.	While major legislation (tax law change for the tax rebate) occurred in 2001, it did not happen during the traditional filing season and IRS did deliver a successful filing season in 2001. In 2001, IRS accomplished preparations to achieve major milestones in the 2002 filing season– virtually all 1040 forms and schedules can be filed electronically and no paper signature document is required. It will also expand the electronic payment options available to taxpayers by accepting credit cards to pay installment agreements and delinquent taxes, as well as continue a popular 2001 option allowing taxpayers who need a filing extension to get one automatically by making a simple phone call. In 2001, IRS also better served the business community. It introduced Electronic Federal Tax Payment System OnLine, which allows businesses to make federal tax payments and check their electronic payment history over the Internet. Businesses can now file on-line their Form 941 (Employers Quarterly Federal Tax Return), as well as Form 1065 (Reporting Partnership Income) and Form 940 (Employers Annual Federal Unemployment Tax Return). In 2001, IRS also launched the Small Business and Self-Employed Community web page, helping them with more complex tax issues than those who have their taxes withheld by an employer.
Providing Quality Customer Service Operations (TIGTA) The level of customer demand on toll-free telephone lines during the 1999 filing season was not satisfactorily managed. In person service remains an important part of providing quality customer service.	Customer satisfaction improved: A government-wide survey released in December 2001 demonstrated improved customer satisfaction among individual taxpayers, especially among those who file their returns electronically. The IRS posted an 11 percent increase in satisfaction among all individual tax filers since 2000 and a 22 percent increase since 1999. It was the largest gain of the 30 federal agencies surveyed by the American Customer Satisfaction Index.

Management Challenge/ High-Risk Area	FY 2001 Actions
	Greater proportion of calls got through: Busy signals in FY 2001 improved over the previous year; failure to achieve the level of service targets can be attributed to the significant number of calls received as a result of the tax rebate. Wait times are still unacceptable. Beginning in FY 2001 and continuing into FY 2002 and beyond, IRS is using modern technology to address these issues. **Capacity increased:** In addition, the number of frontline employees, specialized agent groups and interpretive services were increased. IRS continued extended hours of telephone service with more assistors at peak hours, and the Spanish language call site became fully operational.
Taxpayer Protection and Rights (TIGTA) Compliance with taxpayer rights requirements of the IRS Restructuring and Reform Act of 1998 (RRA 98) remains a challenge.	Legislative changes required by RRA 98 continue to have a profound impact on the operations of IRS. Most RRA 98 provisions, including massive training programs for thousands of employees, have been modified or implemented. These reforms will be tested over the next 2 years. During this time, significant management attention will be required to evaluate the effectiveness of the reforms. The IRS, in conjunction with Treasury Tax Policy, has drafted legislative changes to RRA 98 Section 1203, which requires termination of the employment of an IRS employee upon the final determination that he/she has committed certain acts or omissions, to moderate its unintended effect on compliance activities. These drafts were given to the staff of the Senate Committee on Finance, which asked the GAO to conduct an independent study of the effects of 1203 and provide recommendations to the Committee. The IRS awaits the results of GAO's study.
Impact of the Global Economy on Tax Administration (TIGTA) Internal control and systemic weaknesses in the IRS's Administration of international programs remain a challenge.	Partnerships were formed with key internal and external stakeholders for the purpose of addressing issues and providing guidance to the international tax customer population: • The Understanding Multinational Project was used for that purpose by representatives from Australia, United Kingdom and Canada. The U.S. steering committee and technical advisors discuss joint initiatives and data/issue analysis. The project provides training courses in technical, investigative and managerial areas in the U.S. and foreign countries in conjunction with international organizations. • A Border Compliance Meeting was conducted for technical advisors, territory managers, the revenue service representative from Mexico, and members of the Strategy, Research and Program Planning staff to discuss technical issues and establish an industry exchange on the Food and Agricultural Industry Segment related to border issues. Qualified Intermediary (QI) agreements were executed with foreign banking institutions and QI-Employee Identification Numbers were assigned prior to the January 1st effective date of the new section 1441 withholding tax regulation. • Working relationships were established with the Federal Trade Commission and the Securities and Exchange Commission to address issue of Internet Identification. In addition, the new foreign withholding tax regime was implemented, including ensuring that foreign financial institutions meet requirements for renewal of QI agreements and qualified intermediaries comply with terms.

Management Challenge/ High-Risk Area	FY 2001 Actions
Internal Revenue Service Modernization (GAO and TIGTA) Improve collection of unpaid taxes.	Traditional examination and collection activity have declined over the past several years. To offset this decline, IRS focused on risk-based compliance intervention techniques coupled with more focused and rapid intervention to improve the quality and speed of collection casework. In FY 2001 gains were realized through: • Establishment of a strategic, coordinated approach to compliance issues, programs, and systems to ensure that cross-cutting/national compliance issues were resolved with multiple compliance solutions. • Implementation of a nationwide database for proper matching of dependency information and more timely resolution of erroneous account balances. • Hiring and training additional phone assistors to increase the number of delinquent and unreported accounts resolved and increased the number of delinquent returns secured. • Providing employees with access and capability to update account data through a single terminal, and also allowed Automated Collection System and Service Center Collection Branch employees to process cases. • Initiating a compliance strategy with capture of data from 16.8 million k-1 forms (reports shareholder of partners pass through income) for matching against information reported. • Reducing the burden on field employees and establishing control on escalating inventories. The first phase of a multi-year Collection Re-engineering program was implemented to ensure that business tax cases are promptly assigned to Revenue Officers. In addition, enhancements made to the Electronic Fraud Detection system were made to include selected Business Master File data, permitting research, analysis, and evaluation of fraud detection scenarios for business returns.
Revenue Protection - Minimizing Tax Filing Fraud/Improving Income Credit Compliance (GAO and TIGTA) IRS needs to continue efforts to minimize filing fraud, especially in the Earned Income Credit program.	In FY 2001, mitigation of risk associated with minimizing tax filing fraud in the Earned Income Tax Credit (EITC) area was accomplished by implementation of a three-part strategy: education and outreach visits to offices with a high volume of EITC return preparers, visits by agents to review compliance with due diligence requirements, and "partnering" with Criminal Investigation to ensure investigation of known fraudulent EITC claims and schemes. The IRS also began a check of secondary social security and identification numbers associated with a qualifying child to reduce the number and amount of ineligible claims made under EITC. In FY 2002, IRS will continue to emphasize improved compliance with the EITC provisions of the tax code. Key to our efforts is the use of the Dependent Database (DDB). Using data provided by the Department of Health and Human Services and Social Security Administration, it is designed to identify potential non-compliant returns during returns processing.

<table>
<tr><th>Management Challenge/
High-Risk Area</th><th>FY 2001 Actions</th></tr>
<tr><td>Customer Service and Tax Compliance Initiatives

IRS is faced with the challenge of adequately maintaining customer service while at the same time properly managing compliance resources and processes.</td><td>In customer service, the IRS had the largest favorable gain of the 30 federal agencies surveyed by the American Customer Satisfaction Index. It posted an 11 percent increase in satisfaction among all individual tax filers since 2000 and a 22 percent increase since 1999.

In compliance resources and processes, in addition to efforts explained under the management challenge "Improving Earned Income Credit Compliance, IRS realized productivity gains through introducing risk-based collection strategies, increasing staffing, continuing specialization of the workforce, and technology efficiencies. Further addressing the challenge, it also created a service-wide Substitute For Return report allowing analysis of both fiscal year results and results over time, and improved controls over Research Programs.</td></tr>
<tr><td colspan="2">LE 1: Reduce Violent Crime and the Threat of Terrorism</td></tr>
<tr><td>Violent Crime/Gun Control (OIG and GAO)

Violent crime remains a serious problem in the United States, and measuring Treasury's impact remains a challenge.</td><td>Improving Performance Measurement: ATF is addressing the OIG's concerns by developing a new cross-cutting measure, using data provided by the Department of Justice via Uniform Crime Reports from State and local law enforcement agencies. This measure will compare the violent crime rates of cities in which ATF has a substantial presence to those cities that do not. This will more fully reflect the impact of the ATF Integrated Violence Reduction Strategy and its component projects.</td></tr>
<tr><td colspan="2">LE 2: Combat Money Laundering and Other Financial Crimes</td></tr>
<tr><td>Money Laundering/Bank Secrecy (OIG)

Treasury needs to continue to combat money laundering worldwide through enhanced law enforcement, improved banking supervision, and international cooperation.</td><td>During FY 2001, Treasury met the following National Money Laundering Strategy goals:

• Conducted two highly successful special Outbound Operations (Pressure Point/Windfall) that resulted in 362 seizures totaling $12.7 million in cash or monetary instruments.
• Established two new High-risk Money Laundering and Financial Crime Areas (HIFCA) in San Francisco and Chicago.
• Implemented Plan Colombia, a $1.3 billion dollar initiative designed to assist the Colombian government in fighting drug trafficking and money laundering.
• Continued support of Project Colt, an international task force based in Montreal, Canada, which targets Canadian based telemarketing fraud.
• Participated in the Financial Action Task Force (FATF), an international body whose purpose is the development and promotion of policies to combat international money laundering.
• Obtained funding for four additional multi-disciplinary teams to target money-laundering systems in high-risk cities.</td></tr>
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Management Challenge/ High-Risk Area	FY 2001 Actions
M1: Support the Achievement of Business Results	
Information Security (GAO, OIG and TIGTA) Treasury needs to improve the security of its information technology to protect information and data from physical and electronic threats.	**Implementation of Presidential Decision Directive 63**: Presidential Decision Directive 63 requires Federal departments and agencies to establish and implement a program to protect their critical infrastructure. In FY 2001, all bureaus completed Project Matrix Step 1, by identifying all critical cyber and non-cyber assets. The final report from the National Critical Infrastructure Assurance Office to Treasury revealed a total of 32 assets of Critical Infrastructure Protection (CIP) concern. All of these 32 assets have either been scheduled for or have had a vulnerability assessment completed. Project Matrix Step 2, which identify the interdependencies of each asset, are scheduled to begin in FY 2002. All bureaus have a computer security incident response capability (CSIRC), and all bureaus receive Federal Critical Infrastructure Reporting Center and National Infrastructure Protection Center alerts and advisories, and apply patches, and other fixes as applicable. A statement of work has been drafted for an enterprise-wide CSIRC in FY 2002. The September 11 attacks increased concern in systems security. In FY 2002, cyber CIP guidelines and methodologies will be issued to Treasury bureaus and special bureau on-site assistance visits are planned. A new security awareness-training program will also begin in FY 2002. **FMS's Entity-wide IT Security Program:** FMS has developed an aggressive corrective action plan to fully address computer security deficiencies identified by GAO and is on target for full implementation of its Entity-wide IT Security Program by December of 2002. This plan includes performance measures utilizing the National Institute of Standards and Technology's and Federal Chief Information Officers Council's "Self Assessment Framework." **IRS's Incident Response Capability:** Although computer security has improved, control weaknesses continue to place automated systems and taxpayer data at serious risks to internal and external threats. In response, the IRS implemented programs to manage security risks and the costs related to mitigating them, identifying weaknesses and creating corrective action plans. An around-the-clock incident response capability was established with situation management centers to centralize responses. A strong program of awareness about unauthorized access to taxpayer information, and a security assessment framework, for achieving security objectives was adopted. In the weeks following the September 11 terrorist attacks, IRS determined what immediate steps needed to be taken, such as screening and guard services, and consistent security standards for key areas. Given the enormous volume of mail handled, IRS arranged for all mail-handling employees to now have protective-wear, and limit employees' exposure to any hazardous substances.

Management Challenge/ High-Risk Area	FY 2001 Actions
	Customs' Security Program: In June 2001, Customs formally adopted a revised Information Systems Security Policy and Procedures Handbook, allowing for the closure of a number of open audit findings with the concurrence of staff from the Treasury Office of the Inspector General. During FY 2001, Customs received no new audit recommendations concerning information security management, while taking actions to close 22 audit recommendations. In addition, the Customs Office of Information and Technology maintains a systematic process for tracking to resolution both audit recommendations and recommendations arising from internal risk assessments. During FY 2001, Customs took actions to close 43 recommendations concerning security management emanating from its own risk assessment process. Additional information on Customs efforts to pursue a Commercial Recovery Facility (CRF) can be found under the management challenge related to compliance with the FFMIA.
Information Technology Investment Management (OIG) Improvements are needed in capital planning, investment controls, project management, systems development, and performance measurement of IT investments.	**Implementing Information Technology Reform Act:** In FY 2001, Treasury used the Information Technology Investment Portfolio System (I-TIPS) across the Department and the bureaus as part of their Capital Planning activities. Treasury worked to improve ITIPS usage and data quality, and to emphasize performance and scheduling information. All bureaus used I-TIPS as part of the FY 2003 budget process and it was also used to electronically submit required reports to the Office of Management and Budget. During FY 2002, Treasury will expand its use of I-TIPS as a management tool to collect critical performance data. In addition, Treasury plans to continue to upgrade the data quality; inform Treasury IT program managers of FASA requirements; and inform Treasury IT program managers of reporting requirements in I-TIPS. As a result, Treasury hopes to achieve the purposes of effective investment management: to align investments with the Treasury business missions, develop a repeatable investment management process, and manage initiatives. Also in FY 2001, Treasury’s Capital Investment Review Board (CIRB) continued to give full-time attention to an expanded selection of enterprise-wide and bureau capital (IT and non-IT) investment projects. This will continue in FY 2002.
Implementation of GPRA (OIG) Treasury faces a continuing challenge in collecting and managing reliable performance data. In order to accurately report financial data and evaluate program performance, better management of cost accounting is needed.	**Implementing a Performance Reporting System throughout Treasury:** Treasury continued enhancements to its Performance Reporting System, an intranet-based system that allows bureaus to keep the Department apprised of their performance. These included presenting more detailed information in the graphics mode, additional querying capabilities, and an on-line executive users guide. In addition, Treasury performed a substantial review of performance measures validation statements to focus attention and improve data validity and reliability. Reviews sought to improve the criteria for verifying data (i.e., data collection methods, data sources, data accuracy verification, level of confidence estimates). **Implementing managerial cost accounting throughout Treasury:** Treasury is working with its bureaus to identify major programs for cost collection and program management purposes. Treasury’s CFO Council continues to work to develop a policy for implementing a Department-wide cost-accounting structure.

Management Challenge/ High-Risk Area	FY 2001 Actions
Compliance with Federal Financial Management Improvement Act (FFMIA) of 1996 (GAO, OIG, and TIGTA) Treasury is not in substantial compliance with the requirements of FFMIA. Financial systems are not adequately integrated to support fiscal management of program delivery as well as budget execution functions and internal and external financial reporting requirements.	Treasury continues to work closely with its bureaus to address and close the open audit findings and will work in FY 2002 to ensure that actions are taken to mitigate the risk factors involved in carrying out our programs. Treasury reports on the Percent of bureaus in compliance with the requirements of the Federal Financial Management Improvement Act of 1996 as part of its set of financial management performance measures. In FY 2001 67% of our bureaus were in compliance, exceeding our target of 62%. **FMS:** FMS received an unqualified audit opinion on its statement of the Government's cash position for FY 2000. This is the fourth consecutive year FMS has received a clean opinion. In addition, FMS received an unqualified opinion on its financial statements for FY 2000, with no reportable internal control weaknesses. This represents a significant improvement compared to FMS's previous audit. FMS took an aggressive, proactive approach to resolve the deficiencies in its systems and processes that had resulted in a qualified audit opinion on FMS's FY 1999 statements. **Customs Service:** Customs' modernization effort will provide an essential element of an integrated financial system through the development of an accounts receivable subsidiary ledger. Customs has selected a PRIME contractor for building the Automated Commercial Environment (ACE), of which the subsidiary ledger is one part. The target date for completing the subsidiary ledger has not yet been established within the overall project schedule currently being developed by the contractor. In addition, Customs is working to make its financial systems compliant by replacing a variety of financial and administrative systems through use of off-the-shelf software provided by SAP Public Services, Inc. Release 1 of this project is funded and is due to be completed by April 2002. Releases 2 and 3 are scheduled to be completed by October 2004, if funding is made available. Customs is attempting to establish a disaster recovery capability through the option of a commercial recovery facility (CRF). Due to funding uncertainties, Customs does not have a specific milestone for initiating a contract with a CRF.
Internal Revenue Service Modernization (GAO and TIGTA) **Balanced Measures:** The IRS will need to develop measures of its progress toward improving customer service.	During FY 2001, IRS initiated several actions designed to improve the quality of performance measures data and increase its ability to measure progress through effective processes. Significant progress was made to automate the process of data reporting at the service-wide level and within the new IRS Operating Divisions. Service-wide IRS moved to a web-based Business Performance Management System that will incrementally provide for 100% automation of data along with tailored reports, templates, and integration of performance information for phases of its Strategic Planning and Budgeting cycle. The operating divisions are also engaged in automated data reporting activities through development of a data mart designed to serve both the Wage and Investment and Small Business/Self Employed divisions. At the same time, through partnership with the GAO, IRS enhanced its measures data dictionary input document to provide additional detail around the purpose, limitations, critical path and management controls for each of its strategic and critical measures. In FY 2001 IRS also began to capture baseline data and detailed definitions for its strategic level measures and plans to begin reporting on these measures in FY 2002.

Management Challenge/ High-Risk Area	FY 2001 Actions
Implementation of the Government Performance and Results Act of 1993 by IRS (TIGTA): IRS needs to improve their performance measures and data quality.	Performance measurement progress made this year includes: • Balanced measures of business results, customer satisfaction, and employee satisfaction, including those needed to address quality as well as quantity of business results continued to be developed in FY 2001 for many compliance areas of IRS. • Each IRS division has begun establishing targets/goals for key performance measures for lower organizational units targets/goals for key performance measures. • Balanced Measures were also developed at the strategic management level and reporting mechanisms for FY 2002 have been implemented. Beginning in FY 2002, strategic measures will be used along with the critical measures to assess the IRS's overall performance in delivering its mission and strategic goals. Development of the strategic measures for voluntary compliance, burden, overall productivity, and overall customer satisfaction was completed in FY 2001. Consideration is also being given to development of an additional strategic measure to address the need to report on the portion of "Potentially Collectible Inventory" in the organization.
Internal Revenue Service Modernization (GAO and TIGTA) Correct ongoing financial management weaknesses. IRS's current financial systems alone cannot produce reliable information necessary to prepare financial statements in accordance with federal accounting standards. In addition, the current financial systems cannot provide reliable cost accounting information.	A major initiative for fiscal year 2001 was beginning the development of the Integrated Financial System (IFS). This system is designed to address material weaknesses in financial reporting and bring the IRS into compliance with the Federal Financial Management Improvement Act (FFMIA). The IFS will be deployed in two releases: Release 1 will contain the core financial elements (i.e., General Ledger, A/R, A/P, Cost Accounting, payroll, and funds control), and Release 2 will provide for non-core systems (i.e., fixed assets, travel, procurement). The requirements phase of IFS was completed in October 2001, with the procurement of the software targeted for April 2002. Deployment of Release 1 is anticipated to be completed by October 2003 and Release 2 should be completed by April 2005.

Management Challenge/ High-Risk Area	FY 2001 Actions
Internal Revenue Service Modernization (GAO and TIGTA) Implement effective systems modernization management controls and establish a stable program management organization for the IRS's systems modernization efforts.	During FY 2001, IRS made the following systems modernization planning and management improvements. • Completed its Enterprise Architecture 1.0, or Blueprint 2000, which gives the ability to ensure that modernized projects are coordinated across the entire IRS enterprise, producing an integrated and unified set of systems, designed to eliminate duplication. • Put the first two business applications, Customer Communications FY 2001 and Customer Relationship Management Exam into service and all related projects are making progress in their development lifecycle. • Completed high-level strategies for tax administration (Tax Administration Vision and Strategy – TAVS) and internal management (Internal Management Vision and Strategy – IMVS), and approved the comprehensive Enterprise Architecture. As the modernization efforts continue, projects will all flow from one of these three foundation strategic architecture components. • Made significant progress in improving overall management of its modernization efforts by further refining the configuration and release management processes and establishment of financial controls and portfolio management to better align funding and resources with its business priorities.
Treasury's Asset Forfeiture Program (GAO) The Asset Forfeiture Program faces inadequate information systems and financial management weaknesses, including problems with accountability over seized assets.	For the first time since the inception of the Treasury Forfeiture Fund in 1992, the auditors of the Fund's FY 2001 financial statements asserted that the Fund is free of any material weaknesses. Additionally, for the second consecutive year Fund managers asserted compliance with the Federal Managers' Financial Integrity Act (FMFIA) and Federal Financial Management Improvement Act (FFMIA) in the annual Assurance Statements. As a result of the progress the Fund has made in resolving all material weaknesses, as well as completing the majority of the corrective actions established in response to audit recommendations, the Office for the Under Secretary (Enforcement) of the Department of the Treasury has formally requested removal of the Treasury Forfeiture Fund from GAO's major challenges/high risk list.

Management Challenge/ High-Risk Area	FY 2001 Actions
Strategic Human Capital Management (GAO) Short comings involve lack of human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skill, and deployment meet agency needs; and creating results-oriented organizational cultures.	**Consolidation and review of workforce information:** In FY 2001, the Department's Office of the Deputy Assistant Secretary for Human Resources gathered and consolidated workforce information on each of Treasury's bureaus to determine the extent of the Department's human capital planning. The result was the development of a comprehensive workforce analysis report, which was submitted to the Office of Management and Budget (OMB) along with an analysis of restructuring plans submitted by each of the bureaus. Feedback from OMB directed the Department to strengthen its strategic HR goals and to focus on future planning, including the use of personnel flexibilities, technology and succession planning. **Development of a Human Resource (HR) Strategic Plan:** In FY 2002, the Department will develop a Treasury HR Strategic Plan that will serve as a framework for FY 2002 and beyond, and will assist management in creating an environment where the entire workforce is valued and can excel to the greatest extent possible. The Strategic Plan will ensure that workforce planning strategies are in place to address skill imbalances in mission critical occupations; that bureaus fully utilize HR flexibilities and enterprise-wide technological solutions and data support HR service delivery; that effective performance management is emphasized; and that bureaus have leadership development and succession plans in place.