



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

July 21, 2005

Ms. Rosita O. Parkes
Chief Information Officer
U.S. Department of Energy
1000 Independence Avenue, SW
Room 8H085
Washington, DC 20585

Dear Ms. Parkes:

This correspondence is in response to your letter of February 18, 2005, regarding the Financial Management Line of Business Memorandum of Understanding (MOU). Based on subsequent discussions with the Office of Management and Budget (OMB), the MOU has been revised to reflect OMB's decision that NRC participation would be on an unfunded basis. The Chief Financial Officer and I have signed the revised agreement.

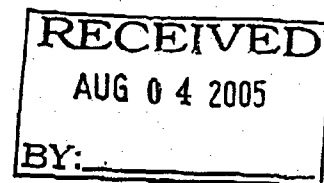
Again, the Commission looks forward to continuing to support this and similar initiatives through involvement in government-wide committees of the Chief Information Officer's Council and Chief Financial Officer's Council. Our liaison for the FM-LOB initiative is Ms. Michelle Curtis (301-415-7607) of our CFO's staff and Mr. Stuart Reiter (301-415-8701) of my staff. You may contact me at 301-415-7443.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Silber", is written over a horizontal line.

Jacqueline E. Silber
Deputy Executive Director
for Information Services and Administration,
and Chief Information Officer
Office of the Executive Director for Operations

Enclosure:
Revised MOU Between DOE and NRC



**Memorandum of Understanding
Between the
Department of Energy
Managing Partner
Financial Management Line of Business
And
Nuclear Regulatory Commission**

I. Purpose

The purpose of this Memorandum of Understanding between the Nuclear Regulatory Commission (NRC) and the U.S Department of Energy (DOE) is to support the continued maintenance of a Project Management Office that provides end-to-end project management support to the Financial Management Line of Business (FM LOB) Initiative. The FM LOB is a Federal Government -wide E-Government initiative charged with the implementation of a business-driven, common solution developed through architectural processes.

II. Authorities

Economy Act of 1932, 31 U.S.C. 1535

Section 204 of the E-Government Act of 2002 (44 U.S.C. 3501 note)

Federal Property and Administrative Services Act of 1949

This MOU is authorized in accordance with the general cooperative authority provided under the Economy Act of 1932, 31 U.S.C. 1535. The authority for DOE to provide products and services for Executive Agencies is in accordance with 40 U.S.C. Section 501. The funding authority for the Nuclear Regulatory Commission to make funds available to DOE is in accordance with the Federal Property and Administrative Services Act of 1949, as amended.

III. Background

In January 2003, the Vice-Chair of the Federal Chief Information Officers Council (CIO-C) along with the Associate Director of Information Technology at the Office of Management and Budget (OMB), and the Acting Chair of the CIO-C, became responsible for establishing and guiding the implementation of the CIO-C's vision and mission. One of the Vice-Chair's key goals is to assist the Office of Management and Budget (OMB) in the formulation of IT policy, specifically in support of the President's Management Agenda mandates. The President's Management Agenda vision for Government reform is guided by three principles - Government should be citizen-centered, results-oriented, and market-based. Effective implementation of E-Government is a crucial requirement in making Government more responsive and cost-effective. As a part of the E-Government program, significant information technology investments have been identified supporting the line of business planning, development programs, and steady state operations.

OMB established LOB Task Forces which are focused on a business-driven, common solution developed through architectural processes. OMB formed the FM LOB task force to guide the financial management consolidation effort. OMB identified 9 agencies to participate in the FM LOB task force, including the Department of Energy, Department of Labor, Department of Homeland Security, Department of the Interior, Department of Justice, Environmental Protection Agency, Department of Health and Human Services, Department of Agriculture, and the Department of Housing and Urban Development. In Phase I of the FM LOB initiative, the task force developed a

business case and target architecture for the common solution. The common solution was identified through alternatives analysis as a consolidated financial management services model utilizing best practices through Centers of Excellence (COE).

In an effort to fulfill the President's Management Agenda to expand E-Government, the Department of Energy (DOE) and the Department of Labor (DOL), managing partners of the Financial Management Line of Business (FM LOB) are continuing its efforts to provide streamlined financial management services across the Federal Government. Through the FM LOB, partner agencies will use enterprise architecture (EA)-based principles and best practices, proven through the E-Gov initiatives and Federal Enterprise Architecture (FEA), to implement financial management Centers of Excellence (COEs) and standardize core financial business processes and data elements across the Federal Government. The consolidation of each agency's financial systems into centralized COEs will decrease system redundancy while driving cost savings through FTE re-deployment, DM&E and O&M cost reductions, and process standardization. The end result of the FM LOB efforts will be to save taxpayer dollars, reduce administrative burdens, and significantly improve financial management services across the government.

More significantly, the FM LOB efforts will result in improved financial management practices that will leverage time saving industry best practices and streamline core financial business processes in a way that will allow Federal Agencies to collaboratively work smarter and more efficiently. The FM LOB managing partners recognize the crucial role committed participation of the FM LOB community will play in making this initiative a success. As Federal Agencies continue to provide their support through funds and other valued resources to this effort, the managing partners with guidance from the Office of Management and Budget will ensure an open yet organized forum for managing COE implementation, Agency migration and the development and implementation of improved financial management processes and practices.

To date, the public-sector COEs have received initial approval from OMB and the FM LOB team has provided a recommendation to OMB for the governance of the Lines of Business initiatives, begun project planning for FY 05, and written a communications plan for the initiative. As the initiative moves further into implementation, the FM LOB will require increased participation from all affected agencies and strong PMO support.

IV. Vision and Goals for the Financial Management Line of Business

The overall vision and goals for the Financial Management Line of Business Initiative are:

Vision: A Government-wide financial management solution that is efficient and improves business performance while ensuring integrity in accountability, financial controls, and mission effectiveness.

Goals: Define, analyze, and implement options that:

- Achieve or enhance cost savings in the acquisition, development, implementation, and operation of financial management systems through shared services, joint procurements, consolidation, and other means;
- Provide for standardization of business processes and data elements;
- Promote seamless data exchange between and among Federal Agencies ; and
- Strengthen internal controls through real-time integration of core financial and subsidiary systems.

To achieve these goals, FM LOB chose a market-driven approach based on a shared services model that will maximize economies of scale, scope, and skill, while benefiting from the use of both government and industry best practices and technologies. The investment utilizes COEs to provide information technology hosting, while leveraging Government-wide standardized business processes.

V. Government-wide Financial Management Solution

COEs will consist of some combination of Federal Agencies and/or private sector contractors supporting a JFMIP-compliant financial management solution. The COE will be engaged in tasks such as project management, system migration, system implementation, change management, training, independent validation & verification, certification & accreditation testing, help desk, and other functions. Over time, market demand may suggest that COEs offer additional value-added services to agencies, such as core financial operations support, and/or hosting and processing for subsidiary systems such as procurement, fixed asset management, real property, fleet management, and investment management.

The key to the Centers of Excellence approach is buying financial management services as a commodity through competitive procurements. As agencies move to COE's current redundancies will be reduced. The migration would occur in a phased approach and follow the system development life cycle for FM. Agencies that are planning to purchase a new financial management system or planning a significant upgrade to an existing system in FY05 and beyond would instead be directed to the common solution. Special emphasis on systems reporting non-compliance audit results related to their current system solution will be included in the migration planning.

Initial standardization of core business processes would occur for each agency as they are converted to the new systems. Standardization will improve over time through on-going operation and maintenance of the common solution at COE's. The FM LOB is taking a collaborative, cross-government approach to developing standard business processes. Target business processes will be developed as a model for standardization and integrated across the government. The definition of standard data elements, data definitions, nomenclature, etc., and the creation of standard interoperability among core FM and subsidiary systems including other lines of business and E-Government (E-Gov) efforts such as E-Travel, E-Payroll and the Integrated Acquisitions Environment (IAE) will promote seamless data exchange and improve internal controls.

The development and implementation of standards will, by themselves, improve the integrity of financial management at both the individual agency and government-wide levels and will ensure compliance with financial management laws and regulations such as the Federal Financial Management Improvement Act (FFMIA). However, there are additional benefits. Standardization will also allow the development of additional systemic internal controls (business rules) through the development of required relationships among processes and data.

Since the FM workforce will use, perform and manage financial information in a new manner, the management of change will be crucial to the entire effort and will be introduced at the very beginning of the process and managed throughout its entirety. Finally, one of the biggest faults with current FM systems would be remedied - Agencies' inability to retrieve reliable, pertinent financial information on a real-time basis. A key task in accomplishment of the FM LOB goals is that timely and accurate management information is relayed to Agency decision makers without the need for laborious data calls.

The common solution represents a major step in developing a Federal Government -wide approach to resource management rather than the current department/agency-centered model. The initiative equips Agencies with the critical business information and management environment necessary to improve decisions and service delivery (both operationally and strategically). As such, the solution eliminates "stovepipes" between components as well as within components and identifies opportunities to further refine common business practices and architecture. Standardization will enable Federal Agencies to further automate internal processes and therefore reduce costs. Additional areas where Federal Agencies will realize cost reduction and cost avoidance are as follows:

1. Public/private partnerships leverage commercial IT outsourcing efficiencies and reduce deployment costs by centrally maintaining solution assets and reusing Federal and commercial subject matter expertise, thus creating "economies of skill"
2. Costs reduced in IT infrastructure, application acquisition, interface development and application management
3. Economies of scale are leveraged in hardware, software and business process management
- ~~4. Centers of Excellence provide for efficient maintenance of solution assets and implementation expertise~~
5. "Centers of excellence" deliver repeatable, proven transformation approaches and methodologies through predictable cost structures
6. Redundancies in performing common business functions are reduced
7. Competition is encouraged
8. Software and hardware maintenance upgrades are centralized
9. Software license fees are paid just once to a vendor
10. Interfaces to other systems are centralized
11. Hardware and software is reused by many agencies
12. Audit costs are minimized
13. Overhead achieved by decreasing the amount of IT sites supporting financial functions
14. FTE is reduced

VI. Governance

Per budget year 2006 passback guidance, Federal Agencies were directed to contribute funds towards the FM LOB. The general governance structure of the FM LOB is presented below.

a. Managing Partners

The Department of Labor and the Department of Energy have been identified as the Managing Partners for the Financial Management Line of Business, with the Chief Financial Officer, Department of Labor and the Chief Information Officer, Department of Energy serving as Co-Chairs of the FM LOB initiative. As lead agencies, they are responsible for the overall strategic direction of the initiative and reporting to OMB and the President's Management Council.

b. Advisory Board

The Advisory Board consisting of CFO/CIO's or their designees will work with and advise the Managing Partners to facilitate achievement of the vision and goals of the initiative.

c. CFO Council Financial Systems Integration Committee

The Chief Financial Officers Council, Financial Systems Integration Committee, and its

two standing subcommittees shall assume the role and authority to recommend standardization of business processes, data elements and alignment of Federal Financial Systems with the Federal Enterprise Architecture. These key elements of the common solution affect all Federal Agencies processing financial information; as such agencies shall have at a minimum, one representative on the CFO Council Financial Systems Integration Committee. The representative should be at a sufficient level to speak for and making binding decisions on behalf of their agency and possess the requisite technical skills to facilitate the development of financial systems standards and enterprise architecture models.

Working teams shall be established on an as needed basis in support of the Committee and or its subcommittees to provide work products necessary to facilitate the success of the initiative. Each agency shall provide subject matter experts (FTE's) to participate on the working teams and serve to ensure each agency's interests are articulated and considered.

d. Project-Management-Office

The PMO shall be responsible for providing contractor support, management oversight and ensuring that the resources are used to achieve the vision and goals of the FMLOB. Achievement of the work shall be accomplished via the established CFO Council Financial Systems Integration Committee and the subcommittees. These activities will include but not be limited to; standardization of business process and data elements and expansion of the core system requirements to include other widely applicable requirements (e.g., budget formulation).

The managing partners/PMO shall meet at a minimum on a quarterly basis.

Key PMO responsibilities will include monitoring the progress of the working teams, managing integration of the project plans from the CFO Council Systems Committee into a single comprehensive project schedule, for the purpose of tracking resources and funding.

The PMO will also be responsible for qualifying Centers of Excellence (COEs) against the OMB approved due diligence checklist to ensure that they are fully prepared to provide core financial management services to migrating agencies. The PMO shall provide monthly progress reports to each agency that address issues associated with the initiative.

e. Support Contractors

Contractors shall be obtained to provide administrative, expert technical and analytical support to the PMO Office, the CFO Council Financial Systems Integration Committee and other functional areas of the initiative as required. Contractors shall be required to sign a non-disclosure agreement if appropriate. Conflicts of interest will be governed by Federal Acquisition Regulation subpart 9.5 - Organizational and Consultant Conflicts of Interest.

VII. Scope of Work and Responsibilities

The FM LOB in collaboration with the CFO Council Financial Systems Integration Committee shall facilitate the development and implementation of the common solution.

Each Agency shall:

- Participate on the FM LOB Advisory Board;
- Appoint an Agency Liaison to coordinate activities and serve as the main point of contact to address any issues that may arise;
- Dedicate FTE's and participate on the CFO Council Financial Systems Integration Committee, working teams, and other committees as necessary;
- Support the operation of FM LOB and the PMO, by obligating and providing funding at the levels indicated in Section XII of this document;
- Review and comment on project plans/actions and advise on priorities for the FM LOB; and
- Provide information and documentation to assist the FM LOB in meeting the goals and objectives of the overall initiative.

The Managing-Partners shall:

- Establish the PMO and ensure effective management by the project manager(s);
- Provide periodic status reports to the Advisory Board;
- Secure contractor support;
- Facilitate FM LOB communications via meetings, the FM LOB website, and other communications vehicles;
- Provide end-to-end project management support of the FM LOB objectives; and
- Establish performance measures to indicate adherence to cost, schedule and performance goals if required.

VIII. Effective Date and Duration of Agreement

This agreement will remain in effect through September 30, 2005. The agreement supersedes existing FM LOB MOUs and will remain in effect unless amended in writing by mutual consent of the parties. Additional funding and/or resource requirements will be determined based on the Office of Management and Budget passback to agencies or mutual consent of the parties and will be executed through an addendum to this document.

IX. Resolution Mechanism

In the event of any disagreement arising under this agreement, the parties shall, in good faith, negotiate a resolution to the disagreement with assistance from the Office of Management and Budget.

X. Agency Points of Contact

The Nuclear Regulatory Commission will assign the following Advisory Board member to serve on the FM LOB Advisory Board. The Agency Liaison listed below by NRC is the official FM LOB representative and is authorized to act on the Agency's behalf. This person is responsible for providing FTEs to support FM LOB efforts. FTE support will be consistent with the importance of the FM LOB effort to the overall financial management of the Federal Government, OMB direction, and agency requirements. The FTEs should have substantial knowledge of Nuclear Regulatory Commission financial management business processes and enterprise architecture. Detailed contact information including phone number, mailing address and e-mail address of the selected FTE resources shall be provided to the Managing Partners by January 19, 2005. Please use the table below to provide this contact information.

Advisory Board Member Name:	Jesse L. Funches
Title:	Chief Financial Officer
E-mail Address:	JLF@NRC.GOV
Mailing Address:	U.S. NRC, Washington, DC 20555
Phone Number:	301-415-7322
Fax Number:	301-415-4236
Agency Liaison Name:	Michelle R. Curtis
Title:	Senior Financial Systems Analyst
E-mail Address:	MXC6@NRC.GOV
Mailing Address:	U.S. NRC, Washington, DC 20555
Phone Number:	301-415-7607
Fax Number:	301-415-5545
FTE 1 – Business Process - Name:	Leon Fleisher
Title:	Senior Accountant
E-mail Address:	LXF2@NRC.GOV
Mailing Address:	U.S. NRC, Washington, DC 20555
Phone Number:	301-415-0242
Fax Number:	301-415-5545
FTE 2 – Enterprise Architecture - Name:	Michelle R. Curtis
Title:	Senior Financial Systems Analyst
E-mail Address:	MXC6@NRC.GOV
Mailing Address:	U.S. NRC, Washington, DC 20555
Phone Number:	301-415-5565
Fax Number:	301-415-5545

Managing Partner Points of Contact

Mr. Greg James
 Associate Deputy CFO
 FM LOB Co-Project Manager
 U.S. Department of Labor
 200 Constitution Avenue, NW, Room S-4030
 Washington, DC 20210
james.greg@dol.gov
 Phone: 202-693-6800

Mr. Lawrence Gross
 E-Government Executive
 FM LOB Co-Project Manager
 Office of the CIO
 U.S. Department of Energy
 1000 Independence Avenue, SW
 Washington, DC 20528
lawrence.gross@hq.doe.gov
 Phone: 202-586-2000 / Fax: 202-586-7966

IX. Funding Provisions

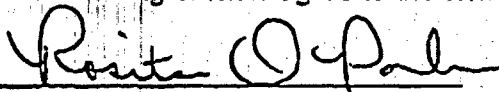
As indicated in the Office of Management and Budget passback to agencies, funding for FY 05 activities of the FM LOB Project Management Office shall be provided by all affected agencies via Interagency Agreements or Memorandums of Understanding as appropriate to execute transfer of funding to the managing partner agency by January 19, 2005.

Agency:	Nuclear Regulatory Commission
Agency Location Code:	
DUNS:	
Total Dollar Amount:	\$0.00
Agency Financial Point of Contact:	
E-mail Address:	
Mailing Address:	
Phone Number:	
Fax Number:	

Managing Partner Agency:	Department of Energy
Agency Location Code:	89-00-0001
DUNS:	10642034
Agency Financial Point of Contact:	M. Anne Warnick
E-Mail Address:	Anne.Warnick@hq.doe.gov
Mailing Address:	Office of the CIO Office of Business and Information Management 1000 Independence Ave Washington, DC 20585 Suite 8H085
Phone Number:	(301) 903-3056
Fax Number:	(301) 903-6047

XII. Approvals

The following officials agree to the terms and conditions of this MOU:



Rosita O. Parkes

U.S Department of Energy

Chief Information Officer

Date: 8/12/05



(Name) Jesse L. Funches

Nuclear Regulatory Commission

Chief Financial Officer

Date: July 18, 2005



(Name) Jacqueline E. Silber

Nuclear Regulatory Commission

Chief Information Officer

Date: 7/21/05

XIV. Appendix

The following partner agencies have been directed via the FY 2006 Office of Management and Budget passback to fund the Financial management Line of Business in FY2005 and 2006..

- DoC (Commerce)
 - DoT (Transportation)
 - DoD
 - EPA
 - USDA
 - NASA
 - DoI
 - DoE (Energy)
 - DoJ
 - DoL
 - ED (Education)
 - HHS
 - HUD
 - NSF
-
- State
 - Treasury
 - USAID
 - VA
 - DHS
 - SBA
 - SSA
 - GSA
 - OPM