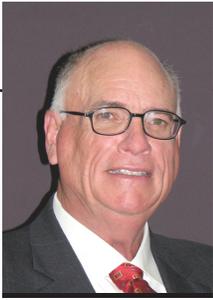


National Finance Center's
Annual Report
November 2012

Connecting People with Products





Letter from the Director

To Our Customers:

Thanks so much for taking the time to review the National Finance Center's (NFC) annual report. This report details important achievements in the past year and our plans to continue advancing our mission of providing value-added, employee-centric systems and services.

NFC's key objective in executing this mission is to continually improve customer satisfaction.

NFC's customer satisfaction plan is focused in five areas:

1. Improving the change request process by involving customers in priority setting, extending customer test times, and providing an end-to-end test environment.
2. Reporting, reacting, and resolving software problem reports. Our process has improved such that problem reports are resolved in advance of agreed timeframes.
3. Improving quality of help desk operations across all service areas. The help desk effort is detailed in this report.
4. Reducing customer risks and cost:
 - Improvements implemented in *EmpowHR* eliminate reliance on legacy personnel applications for processing transactions.
 - Risk mitigation and lowering costs in legacy payroll/personnel applications and operations.
 - Continuity of operations plan to ensure, regardless of unplanned events, that NFC can continue to provide customer services.
5. Creating and executing on a vision for future value-added enhancements to our Enterprise Human Resources System, *EmpowHR*.

This exciting vision, crafted with you, and progress on execution are detailed throughout this report. NFC employees appreciate and value our relationship with you. We continually strive to balance service levels and costs to be most effective at serving you.

I personally want to thank you for your business. I hope you find this report valuable.

Sincerely,

A handwritten signature in black ink, appearing to read 'John S. White'. The signature is fluid and cursive, with a large initial 'J'.

John S. White



Contents

Introduction 1

Strategic Management of Human Capital 2

Communications and Training 14

Improving Services 15

Control Measures 21

Data Center and Security Services 22

Continuity of Operations 23

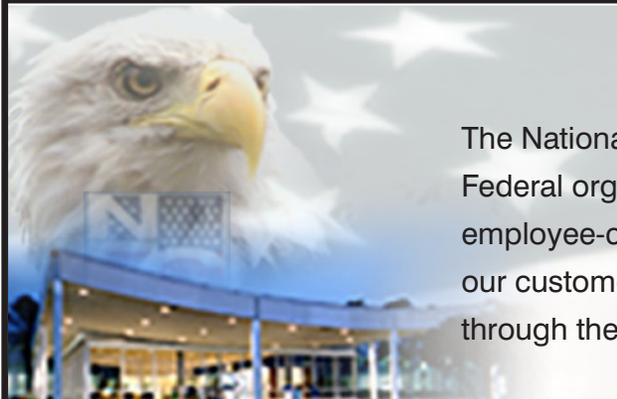
Financial Updates 24

Looking Forward 25

The United States Department of Agriculture (USDA), Office of the Chief Financial Officer (OCFO), NFC proudly serves USDA and other Federal organizations by providing reliable, cost-effective, employee-centric systems and services allowing our customers to focus on achieving their mission-critical results. We have been providing these systems and services for the strategic management of human capital for nearly three decades for most customers and over five decades for others like USDA.

Connecting the needs of our customers with solutions to satisfy those needs is our single mission and sole purpose each day. That is why we have themed this year’s report, “Connecting People with Products”. This report outlines the products and solutions we offer to the customers we serve. The products we deliver are full service and overlapping where needed to ensure the continuity required by human resources (HR) information management.

In this report, you will find our recent accomplishments and our targeted initiatives for the near future regarding our expanding Human Capital Management (HCM) offerings. Additionally, the report outlines improvements in our systems and services, investments in customer communications, initiatives for risk mitigation, and expansions in data center services to ensure the integrity and security of the data entrusted to us by our customers. Finally, the report concludes with a look at how we are moving forward in a fiscally prudent manner for our customers while meeting our responsibilities as caretakers of their data.



NFC’s Mission

The National Finance Center serves USDA and other Federal organizations providing reliable, cost-effective, employee-centric systems and services thus allowing our customers to focus on serving this great nation through their mission delivery.



STRATEGIC MANAGEMENT OF HUMAN CAPITAL

As a certified Shared Service Center (SSC) provider, under the Office of Personnel Management's (OPM) Human Resources Line of Business (HR LOB), NFC offers a modern, cost-effective, standardized, interoperable suite of solutions to provide the core functionality required to strategically manage human capital. Within these solutions, NFC provides an array of system options to meet every HR processing need. The system solutions offered include NFC's traditional payroll/personnel offerings along with *EmpowHR* (our Human Capital Management System), *webTA* (our time and labor solution), and our latest solution, *Insight* (Enterprise Reporting). Optional services available within *EmpowHR* also include ePerformance and Employee/Manager Self Service capabilities. Some of the key benefits of the NFC solution suite include:

- Thousands of edits to reduce errors and support the accuracy of data (more than 6,000).
- Advanced Personnel Action Request (PAR) and Mass Action processing including numerous system-generated actions.
- Accurate and timely payroll processing.
- Full Self Service functionality for employees and managers.
- Comprehensive history-correction processing including retroactive-pay corrections.
- Integrated reporting solution with advanced business-intelligence capabilities.

Additionally, we offer select HR operational-transaction processing services that are designed to eliminate time-consuming, transactional functions and increase time for your staff to perform more mission-related activities. Our future offerings will expand upon these technologies and services to meet the evolving requirements faced by our customers on a daily basis.

We realize that our solutions must not only satisfy the fundamental HR needs of our customers, but must also satisfy the fiscal needs of our customers. That is why we remain ever focused on the delivery of these solutions in the most cost-effective manner possible to make every dollar count in today's shrinking budget paradigm.

Setting the Direction for Human Capital Management



NFC's HCM tools to support position management, recruitment, performance management, personnel and payroll action processing.

NFC's HCM services for hire to retire processing and integration with payroll processing and data warehouse analytics reportings.

NFC's HCM interfaces to external data sources for completion integration and seamless human capital management.



HUMAN CAPITAL MANAGEMENT SYSTEM

As an OPM-certified HR LOB SSC provider, NFC offers a complete Human Capital Management System (HCMS), *EmpowHR*, which addresses core and non-core services as defined by OPM's business requirements model. *EmpowHR* is a suite of commercial and Government applications that support all critical HR functions including PAR processing, benefits administration, position management, and Federal compensation management. The core component of *EmpowHR* is an Oracle/PeopleSoft application (currently Version 9.0) that has been modified to support Federal functionality. *EmpowHR* allows Agencies to focus their resources on more important mission-related activities rather than time-consuming payroll and personnel office processing.

We continue to mature and expand the *EmpowHR* product offering by increasing functionalities through scheduled releases, implementation of new value-added capabilities, effective release management, and software monitoring tools ensuring application performance. While working to enhance *EmpowHR*, we also continue to focus on implementing new customers into this system offering. Outlined below are details on the accomplishment of these initiatives.

EMPOWHR SCHEDULED RELEASES

In 2011 and 2012, multiple releases of *EmpowHR* were implemented including the highlighted changes below as part of our Scheduled Release process. Additional information on these enhancements is available within the Release Notes and *EmpowHR* procedure manual that can be accessed by selecting Publications on the top navigation bar of the *EmpowHR* Web site at www.EmpowHR.gov.

Highlights of *EmpowHR* Release Changes

Release Date	Highlights
July 2011	<ul style="list-style-type: none"> Implementation of Person Model Establishment of <i>EmpowHR</i> File Transfer Protocol (FTP) Server for initiated file transfers
September 2011	<ul style="list-style-type: none"> Modification to Percentage for Deduction Due to Indebtedness Field School Identification Table Updates
February 2012	<ul style="list-style-type: none"> Enhanced <i>EmpowHR</i> Search Capabilities Implementation of OPM-Directed Ethnicity and Race Indicator (ERI) Codes Modifications to <i>EmpowHR</i> PAR Remarks Field
May 2012	<ul style="list-style-type: none"> Implementation of Library of Congress into Person Model Automation of NAFI (Nonappropriated-fund Instrumentalities) for deduction, disbursement, and reporting Implementation of Federal Thrift Savings Plan (TSP) Roth and TSP Roth Catch-up
August 2012	<ul style="list-style-type: none"> Implementation of Federal Emergency Management Agency (FEMA) into <i>EmpowHR</i> Establishment of Tracking Changes on Payroll <i>EmpowHR</i> Documents
October 2012	<ul style="list-style-type: none"> Standardization of Work Email (Enterprise Human Resources Integration (EHRI) Submission) Clean-up of Bi-Weekly Worklist (improve performance)
November 2012	<ul style="list-style-type: none"> Reestablishment of <i>EmpowHR</i> Integration Testing Environment Modifications for HIPPA (Health Insurance Portability and Accountability Act)



EMPOWHR NEW FUNCTIONALITIES

In 2011 and 2012, several component functionalities were added to *EmpowHR*. With the inclusion of these components, we remain focused on the expansion of *EmpowHR* into a full HCMS suite offering. We know that the product must serve our customers and their employees from the point of hire to retire. The newest components added include:

Manager Self Service (MSS)

MSS provides managers with the information and ability they need to administer certain aspects pertaining to employees' professional development. It eliminates paperwork and provides managers with a method to track information on each employee. With MSS, managers are able to:

- Initiate a PAR
- Initiate a Request to Fill a Position
- Request New Positions
- Manage PAR Requests
- Review Transactions
- Delegate Approvals
- Add Attachments

Managers have the ability to perform personnel requests for their direct reports and their subordinates. Once a manager initiates a request, it passes through an approval workflow process that is specified by the Agency. Once the request is approved, it is submitted to the appropriate *EmpowHR* module for processing.

MSS is delivered with the Approval Workflow Engine (AWE). AWE is the engine that provides the framework and capabilities for creating, running, and managing approval processes. It enables three levels of users to develop, configure, and use transaction approval to meet organizational requirements. With AWE, Agencies have the ability to develop and configure their own approval workflow process and define who should be included in that process. Managers have the ability to initiate requests and view the routing process and approval status of each request. In November 2012, NFC was successfully implemented into the MSS module of *EmpowHR*, and FEMA is expected to be implemented in December 2012.

ePerformance

ePerformance is a self-service evaluation application for managers, employees, and HR administrators. ePerformance can be used as a tool for planning, collaborating, communicating, assessing, and monitoring evaluations for both performance and development. With ePerformance, managers can:

- Generate evaluations
- Establish evaluation criteria
- Manage multiple participants
- Enter evaluation data, including notes, rating, weights, and comments
- Consolidate feedback from multiple sources into the manager's evaluation
- Submit the manager evaluation for review and approval

Performance evaluations typically assess and plan employee performance to meet current job requirements and administer salary treatments; while development evaluations are used to assess and plan employee development needs either because of gaps in a skill set that is required for a current job or to meet future requirements. ePerformance supports the entire planning and evaluation process, from planning and aligning employee performance or development goals with enterprise objectives through assessing and rewarding employee performance results. ePerformance provides the flexibility to establish evaluations for different purposes by setting up document templates that define evaluation processes.

In September 2012, NFC was successfully implemented into the ePerformance module of *EmpowHR*.

For further information on using any of the EmpowHR components, please contact NFC via email to nfcempowhr@usda.gov or your NFC Dedicated Customer Service Representative.



EMPOWHR INSOURCING INITIATIVE

In fiscal year (FY) 2011, NFC launched the *EmpowHR* insourcing initiative to transition the *EmpowHR* Applications Support from contractors to NFC's Federal staff. Under the new insourced model, NFC assumed ownership of all application modifications for the *EmpowHR* application, including incident management, development management, database management, change management, and release management. Effective Pay Period (PP) 04, 2012, NFC deployed the first release under the insourced model after successfully completing the insourcing initiative.

NFC completed the following activities to promote the seamless transition to the insourced model:

- Designing and implementing the insourced operating model, governance structure, and organization;
- Recruiting and hiring Federal Information Technology (IT) Specialists with PeopleSoft expertise to perform the applications support services;
- Conducting knowledge sharing and capability transfer between the current contractor and NFC Staff; and

- Implementing enhanced tools to support the insourcing of *EmpowHR* Applications Support.

With completion, insourcing of the *EmpowHR* Program is providing NFC and its customers with several benefits:

- Increased flexibility over the *EmpowHR* application (i.e., improving NFC's ability to quickly respond to changing customer needs and varying requirements);
- A reduction in spending on contracting services, in line with the Office of Management and Budget's (OMB) guidance; and
- An investment in the cultivation of internal expertise and commitment to the *EmpowHR* program.

Today, NFC performs all application modifications for the *EmpowHR* application, including incident management, development management, change management, database management, and release management. The insourced *EmpowHR* program has enabled NFC to provide greater service levels for our *EmpowHR* customers.

NFC's HR LOB OFFERINGS

Dependable, Accurate Compensation Process

- Proven payroll engine and processes for almost 50 years

Expansive Human Capital Management Tools

- Robust, user-friendly HR application that facilitates planning and leverages best-in-class processes

More Time for Strategic Planning

- Support service offerings designed to unburden time-consuming, transactional functions and free up time to perform more strategic planning activities

Increased Standardization

- Best practices determined and shared with all Agencies
- Consolidated legacy systems and databases



PAYROLL/PERSONNEL SYSTEMS AND HUMAN RESOURCES SERVICES

PAYROLL/PERSONNEL SYSTEM (PPS)

Our HCMS solutions also include significant solutions for payroll/personnel systems and services. Included in these solutions are NFC's current payroll application and its many associated entry, reporting, and data-tracking tools for payroll and personnel transactional processing. In the following section, we have outlined the latest initiatives for these system solutions and services focused on enhancing the value of these offerings to you.

EMPLOYEE PERSONAL PAGE (EPP) ENHANCEMENTS

The EPP is a Web-based, self-service application providing the employees of NFC customers with access to view and update personal information. In 2012 several enhancements were made to EPP which you will find outlined below. Additionally, EPP has an exciting change coming as we release this report that is announced in the article to follow.

Some of the 2012 enhancements to EPP include:

- **Personal Benefit Statements** – Previously, all Personal Benefit Statements were mailed to the employee residence address and were available in EPP. In PP 06, 2012, Agencies were given the option to save money by eliminating the mailed paper process and to only have employees access and print their statement in a PDF format from EPP. Employees cannot elect to switch to the mailed paper process.
- **EPP in Customer User Acceptance Test (CUAT)** – In PP 08, 2012, EPP was established in the CUAT environment to test Agency-specific and community-wide scheduled release projects and other system modifications.
- **EPP New Personal Identification Number (PIN) Process** – Enhancements were made to EPP to provide users with a faster method

of obtaining temporary passwords, improve the new user signup process, and provide users with additional information needed to navigate EPP.

Additional modifications include the following:

- Established employee's work email address.
- Eliminated the process of mailing temporary password letter to new and current users and replaced with an email sent to the employee's work email address.
- Implemented a new user auto-setup process. All employees are now automatically setup to use EPP.
- Provided the NFC Contact Center with the ability to reset EPP passwords and issue temporary passwords to authorized servicing personnel office contacts.
- Added additional instructions to user identification (ID) and temporary password email to assist users with EPP access.

Employee Personal Page Milestones

- **684,332 employees subscribe to EPP (98.7% of the NFC payroll population)**
- **86% use the paperless Statement of Earnings and Leave (SEL) feature**
- **More than 1,263,000 self-service transactions applied between October 2011 and October 2012**



EPP MOBILIZED FOR LIFE ON THE GO

EPP has been revamped to place your payroll, leave, health and life insurance, Wage and Tax Statement (W-2), and other personal information literally at your fingertips. With the introduction of the latest technology in the form of Smartphone and tablet devices, more and more people are accessing their information from a device other than the traditional personal computer (PC). Convenience and accessibility have become cornerstones of technological advances

NFC has taken note of this lifestyle trend and has taken steps to ensure that you can easily access



EPP Mobilized for Life *on the Go!*



your EPP personal information from any device. In PP 24, 2012, the EPP Mobile application will be implemented. Employees will have the ability to access and make self-service transactions from their mobile devices such as IPHONES, Androids, and BlackBerries.

A Fresh New Face

EPP's traditional design has been replaced with a new responsive design format that intuitively knows what type of device you are using. Once the application recognizes your device, the content is automatically reformatted to provide you with the best presentation of content and easiest navigation.

EPP content is rendered at full scale for computer users; however, when viewing EPP from a tablet device we have integrated small, yet significant, changes to enhance your interaction with EPP. To accommodate the smaller viewing area of a tablet device, the banner becomes smaller, the text becomes larger, and the buttons are now spaced further apart making them more conducive to touch navigation. For Smartphone owners, navigation within EPP gets even simpler. As EPP now recognizes your entrance to the application via a Smartphone, a fully "mobilized" version of the EPP application is served to you – no more pinching, scrolling, and resizing to get to your information! The J-Query-based interface provides you with the mobile navigation you need to get to your information quickly. You also always have the option to return to the full version of EPP by clicking the link available at the bottom of all the screens.

Tried and True Security

Paramount at NFC is the security of your personal information. These new faces of EPP offer you ease of navigation, but still retain NFC's full security standards. Because this is not a "downloadable app" your information is not stored on your device, but rather still resides within our servers. You have the same level of security viewing this information from a Smartphone or tablet as you do from your computer.

Future

NFC remains dedicated to bringing you innovative products of the type that are designed with convenience, usability, security, and data integrity at the forefront.

REPORTING CENTER ENHANCEMENTS

The Reporting Center is a low-cost, Web-based reporting tool using an intuitive browser interface that provides users the ability to view, print, and download a wide variety of reports from HR, financial, and administrative data sources at NFC. Several enhancements were made to the Reporting Center in 2012 which include:

- **Personal Benefit Statements** – Personal Benefit Statements were implemented in the Reporting Center for Agency representatives to access and print individual statements for their employees.
- **Reporting Center in CUAT** – In PP 08, 2012, the Reporting Center was established in the CUAT environment to test Agency-specific and community-wide scheduled release projects and other system modifications.

INSIGHT ENTERPRISE REPORTING

NFC is pleased to announce the introduction of *Insight* – a comprehensive, enterprise-wide data warehouse with advanced reporting and analytics capabilities.

The Enterprise Reporting Project started in fall of 2011 in an effort to continually enhance reporting-service offerings for our customers. Our objectives are to create a single system for integrated reporting and to provide customers with flexible analytics to drive strategic business decisions.



What is *Insight*?

Insight is a cutting-edge solution that addresses the full range of user needs, from operational reporting to executive dashboards and predictive analytics.

- **Operational Reporting** – Detailed employment reports, transactional processing reports, and case management reporting capabilities.
- **Management Dashboards and Metrics** – Management summary reports, drill-down analysis, trend analysis, and variance analysis.
- **Scorecards, Executive Dashboards, and Analytics** – Summary-level dashboards, key performance indicators, scorecards, and predictive analytics.

Timeline

NFC will launch *Insight* in phases, or builds, in order to design, build, deploy, and continually enhance the solution. Each of the six builds includes additional data sources and reports with the goal of a fully comprehensive solution launching in 2015. The functionalities addressed in each build include:

- Build 1: Core HR Functionality (Payroll and Personnel)
- Build 2: Core HR Functionality (Position Management System Operations (PMSO), *EmpowHR*, Time and Attendance)
- Build 3: Recruiting and Staffing
- Builds 4-6: Enhanced Non-Core Functionality (based on customer requirements)

All builds subject to change based on requirements.

The Enterprise Reporting Project team will continue to work with customers in FY 2013 to incorporate user feedback into solution development and provide the training and support needed to prepare users for the Build 1 launch. Build 1 is currently under development, with a target launch of February 2013.

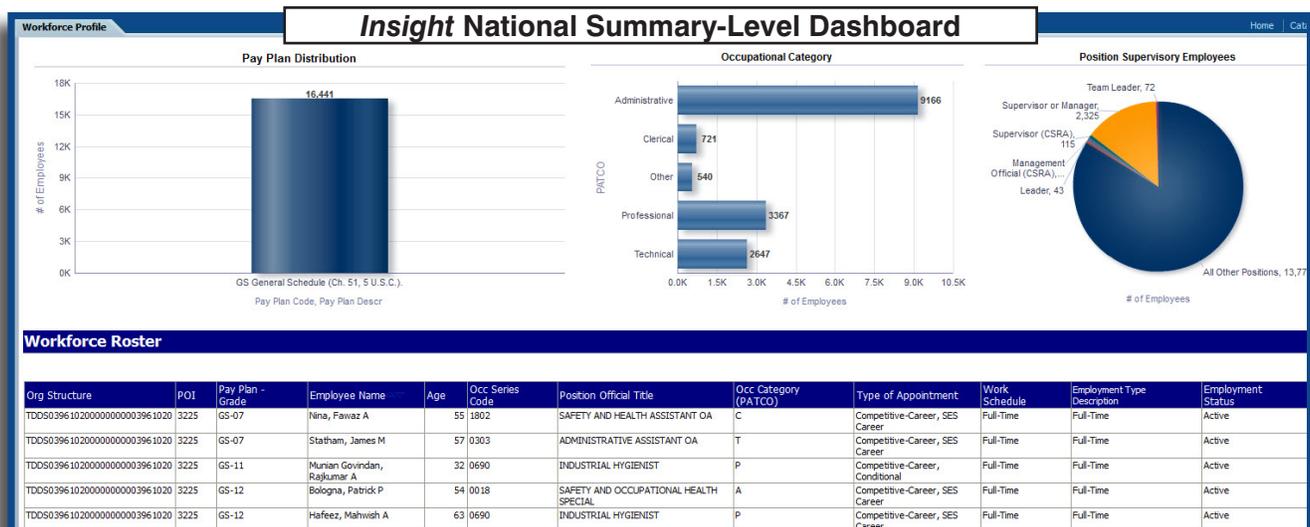
Customer Involvement

The Enterprise Reporting Project is a top priority of NFC as evidenced by our commitment to engaging customer representatives throughout the project.

The Reporting Working Group (RWG) created in April 2012 engages customer-reporting users in the design, development, and testing of the solution. The RWG was integral in early requirements and design sessions that created the Common Report Library, a set of standard, Government-wide reports and dashboards that will be prebuilt in the solution. The RWG representatives were also participants in an early pilot of the solution from September through December 2012. This pilot provided representatives an early sample of the solution and allowed the project team to gather critical user feedback.

The Enterprise Reporting Project is also deploying an extensive customer outreach program to communicate and prepare users for the solution launch. Outreach measures include:

- *Insight* Pilot conducted for customer representatives on the RWG.



- *Insight* Reporting Survey launched to understand initial awareness of the solution and to collect feedback on customer-preferred communication and training methods.
- Participation in quarterly user group meetings to provide important project updates.
- Development of the *Insight* Web site: <https://www.nfc.usda.gov/Insight>.
- Creation of brochures and newsletters.
- Demonstrations provided to internal and external users.

To learn more about the solution and remain engaged with the Enterprise Reporting Project:

- Visit the *Insight* Web site, <https://www.nfc.usda.gov/Insight>.
- Read the quarterly *Insight* Newsletter, available on the Web site.
- Email Enterprise.Reporting@nfc.usda.gov with any questions or concerns.



Insight is accurate, reliable, and agile – providing customers with an integrated system of data with reporting capabilities that support a wide range of business needs. Key features include:

- *Intuitive dashboards with drill-down analysis capabilities*
- *Standard Government-wide, common reports*
- *Ad hoc reporting capabilities to develop Agency-specific reports*
- *Multiple export and direct print options to transfer reports into workable files*
- *Secure access based on user role*

OPM MANDATED PROJECTS

Federal Employees Retirement System (FERS)-Revised Annuity Employee (RAE)

OPM issued Benefits Administration Letter - 12-104 on October 3, 2012, as guidance to payroll providers concerning newly hired employees and elected Members of Congress who will be covered under FERS starting January 1, 2013. Under Public Law 112-96, Section 5001, The Middle Class Tax Relief and Job Creation Act of 2012, two major changes to FERS are to take effect. First, new employees, designated as FERS-RAE, pay significantly higher employee contributions, an increase of 2.3 percent of their salary, and second, new members of Congress and Congressional employees, in addition to paying higher retirement contributions, will accrue retirement benefits at the same rate as regular employees.

For NFC, a normal increase in the employee contribution rates would have a minimal system impact. However, OPM's development of new expanded retirement plan codes, to differentiate the new FERS-RAE employees from the current ones, will have a significant impact on PPS and our correlated subsystems. Currently, most of our systems key off of NFC's one-position code which matches OPM's one-position Federal retirement plan code. Initially, NFC will modify the 063 Front-End Systems Interface (FESI) layout to accept the OPM two-position retirement coverage code at the end of the file, thereby reducing the filler. The existing one-position code in the FESI layout will be changed to filler. NFC will report the new two-position codes on all outgoing Agency data feeds and those feeds that OPM has modified to accept the newly formatted codes.

NFC is also looking at the necessary long-term solution required to fully automate an OPM two-position retirement plan code.

Nature of Actions for Absent Uniformed Service

On December 13, 2010, OPM issued new proposed practices for processing Nature of Action Code (NOAC) 473, Absent Uniformed Service. The proposal allows NOAC 473 Uniformed Status leave without pay (LWOP) actions to be processed without processing an NOAC 292, Return To Duty, personnel action. OPM targeted January 1, 2012, as



the implementation date for the proposed practices for NOAC 473. The final guidance was issued via Update 56 to the Guide to Processing Personnel Actions. These system changes were implemented in PP 01, 2012. NFC issued Title I, Bulletin 12-5, Update 56, OPM changes and notified the NFC customers of these changes.

Pay Retention for Former National Security Personnel System (NSPS) Employees, OPM Update 04, Guide to Data Standards

Effective February 1, 2011, OPM's Update 04, Guide to Data Standards, established a new Pay Rate Determinate (PRD) code of Y = NSPS RETAINED PAY to be used by all Federal Agencies. PRD "Y" will allow employees to be paid above the Executive Schedule (EX) Level IV pay cap but not to exceed 5 percent above the cap. These system changes were implemented in PP 04, 2012. NFC issued Title I, Bulletin 12-9, New Pay Rate Determinate Code, to notify customers of the changes.

Pathways Program

OPM's Update 59 of the Guide to Processing Personnel Actions (GPPA) issued guidance on documenting actions subject to the Pathways Programs regulations effective July 10, 2012.

OPM guidance abolishes and adds new Legal Authority (AUTH) Codes and Remarks for GPPA Chapter 9, Career and Career-Conditional Appointments; Chapter 10, Nonstatus Appointments in the Competitive Service; and Chapter 11, Excepted Service Appointments. NFC analyzed the potential system changes and worked diligently to implement by July 10, 2012. The system changes were implemented in PP 15, 2012. NFC issued Title I, Bulletin 12-17, Update 59 OPM changes to inform customers.

OPM issued Update 60, dated October 18, 2012, in which OPM made retroactive changes to the guidance on documenting personnel actions that are subject to the Pathways Programs. Accordingly, the guidance, reflected in Update 60, is effective retroactive to July 10, 2012, which is the date the Pathways Programs was implemented. NFC has analyzed the impact and will implement this retroactive change in PP 25, 2012.

ADDITIONAL NFC PPS INITIATIVES

Combined Federal Campaign (CFC) Pledge Automation

In PP 20, 2012, NFC implemented a pilot project in partnership with OPM using the EPP Employee Self-Service to automatically enter CFC pledges. OPM selected the Department of Homeland Security as the NFC customer pilot organization and Northern Lights as the pilot CFC campaign area. NFC and OPM worked together on the pilot which will run until the end of Open Season, December 15, 2012.

Moving forward, NFC will continue to work with OPM on any expansion of this pilot. The level of expansion will be determined by OPM in concert with the July 2012, CFC-50 Commission Report. The Commission recommends that OPM make the following changes/enhancements to the CFC program:

- Create a "one-stop-shop" Web site that lists all national and local charities, has a robust search function, and allows centralized online giving.
- Standardize and improve how payroll offices provide donor pledge reports to campaigns.
- Consolidate Principal Combined Federal Organization (PCFO) back office functions into regional receipt and disbursement centers or a national center.
- Improve the governance of the CFC program at the local level.
- Accelerate efforts to "go green," reducing paper processes within CFC as much as possible.
- Monitor overall campaign costs to seek continued efficiencies.

OPM is evaluating the report and based upon the outcome of their evaluation, we will work with them to determine any pilot expansion.

Retirement System Modernization

OPM initiated the EHRI Retirement Data (EHRI RD) program as a strategic initiative to standardize and automate retirement-data collection using modern technology to help ensure retirees and annuitants are paid accurately. A key component of



the EHRI RD effort is to provide an electronic exchange of standardized retirement data needed to process retirements for Federal employees in a timely and accurate manner. To accomplish this task, OPM has established two retirement-relevant data feeds for EHRI RD.

- Electronic Retirement Record (ERR) data feed
- Summary of Service Record (SSR) data feed.

EHRI RD will require SSCs to submit XML-formatted files that contain data for the ERR and SSR data feeds. NFC has established Connect:Direct connectivity with OPM and is currently working with OPM to complete TEST 1 (Schema Required Test XML File) and TEST 2 (Full Record Test XML File).

Also, NFC is currently modifying its Retirement Processing System (RETM) database to accommodate data that will be included in the ERR data feed to OPM's EHRI RD. Our current schedule is to complete this task by the end of the calendar year. Our next step will be to modify our applications to pass data to the RETM database for inclusion in the ERR data feed to OPM's EHRI RD, and an implementation date for this phase has not been determined yet. Additionally, OPM is making some further changes to the Guide to Retirement Data Reporting requirements that may necessitate some additional elements be incorporated into the RETM database change. This may impact the timeline already in place.

Central Accounting Reporting System (CARS) Initiative

CARS is the new name of the system of record for the Government's financial data. Along with the Government Treasury Account Symbol (GTAS), CARS is a system under the Governmentwide Accounting initiative of Treasury's Financial Management Service (FMS). CARS will streamline existing processes for accounting and reporting, and enable Agencies to classify payments, collections and intra-Governmental transactions at the time of origination. NFC has already implemented a portion of the system changes necessary to successfully completing this major initiative by the October 2014 date established by FMS.

LEGACY SYSTEM RISK MITIGATION

NFC established the Risk Mitigation project to identify and determine the strategic approach to convert, modernize, and migrate NFC's mainframe-based systems. The largest of these systems involves 20-plus large mainframe applications which collectively make up the Government-wide PPS. Based on the analysis, NFC will adopt a phased approach to implement its future-state model for the Legacy PPS. Phase 1 includes the conversion of the Integrated Database Management System (IDMS) database to a relational database and the online applications to a .NET environment. The database and batch processing will remain on the mainframe in this phase. In Phase 2, NFC will migrate the database and batch processing to a new platform. Platform specifications for Phase 2 have not been defined at this time.

Currently, NFC is working with a contracted vendor for assistance and support of the application code and database conversion. The Global Inventory Assessment Phase has been completed and the data-modeling phase is beginning. NFC organizations will work closely with the vendor in the upcoming months to complete the relational database model and begin the data conversion phase of the project. Continuous updates will be provided through the meetings of the NFC Customer Advisory Board (CAB), Project Review Team (PRT), and through the NFC Home Page.

AUTOMATION OF THE NAFI PROCESS

Nonappropriated Fund Instrumentalities (NAFI) of the Federal Government are Federal financial entities, but their receipts and expenditures are not reflected in the Federal budget. They can spend funds without a Congressional authorization or appropriation and without resulting in Federal budgetary outlays.

The Departments of Defense (DoD), Veterans Affairs, and State, along with the U.S. Coast Guard, all operate NAFIs for the benefit of their employees with DoD's NAFI programs being the largest. Nonappropriated fund (NAF) employees are Federal workers who, because they are paid with nonappropriated funds, are not part of the civil service.



The Portability of Benefits for Nonappropriated Fund Employees Act of 1990 allowed DoD and Coast Guard employees, who moved from a NAFI position to a Civil Service Retirement System (CSRS) or FERS position or vice versa, the opportunity to elect to remain in the retirement plan they had in their previous employment. Public Law 107-107, the National Defense Authorization Act for Fiscal Year 2002 eliminated the vesting requirement for NAFI portability. Eligible employees in the NAF system of DoD or Coast Guard who moved into civil service could continue the NAFI retirement plan coverage. Employees moving into civil service positions who elect to retain coverage under a NAFI retirement plan are not eligible to participate in the Federal TSP.

Salary payments for NAF employees have always been paid through the automated system, but the NAFI benefits (retirement and 401(k) deductions) had previously been handled in a manual process by NFC. Employee benefit deductions were collected in receipt accounts and disbursed with Agency contributions through the Special Payroll Processing System (SPPS) to the NAF Portability Offices for each DoD branch. The funds would then be forwarded by those Portability Offices to the appropriate investment institutions. The W-2 records for NAF employees required manual intervention for recording the employee NAF 401(k) deductions.

In an effort to improve the process, effective PP 26, 2011, NFC automated the processing of these benefits. If an employee elects to retain his/her NAFI benefits, the HR office must process a personnel action to identify the employee as eligible and process the PPS documents for NAFI retirement, 401(k), and 401(k) loans. Unique plan codes were established for each DoD branch and the associated retirement and 401(k) plans. Agency contributions

are automatically computed. Biweekly disbursements of employee and Agency funds are executed to each Portability Office, and reports are generated with a breakdown by employee.

Automation affords the employees timely posting of their benefit funds and tax-deferment of the 401(k) deductions each pay period. NAFI benefit deductions and contributions will automatically adjust to changes in employee salary. Employee W-2 records will reflect tax-deferred deductions without manual intervention.

NFC also published a bulletin on NAFI processing in Title I, 11–23, Processing of Nonappropriated Fund Instrumentality (NAFI) Program Employee Retirement and 401(k) Benefits.

PROCESSING FERCCA CASES

The Federal Erroneous Retirement Coverage Corrections Act (FERCCA) was established to provide relief to Federal civilian employees, former employees, annuitants, and their survivors who were placed in the incorrect retirement system for at least 3 or more years of service after December 31, 1986.

It is the Agency's responsibility to determine the affected employee's FERCCA eligibility, as well as, to process the necessary corrections, and to submit the appropriate documents to NFC's Payroll Processing Branch (PAPB) for processing of any manual adjustments associated with the FERCCA case. Because multiple organizations within NFC are responsible for work on a FERCCA case, it is necessary for control of the case to be maintained. PAPB is the starting point for all FERCCA cases and will distribute documentation to the other responsible areas. Cases are received and logged into SPPS Web for identification and to annotate receipt of the case.

Other than PAPB, the other areas within NFC responsible for processing a portion of a FERCCA case are the Benefits Processing Section, the Payroll Tax Reporting Section, and the Payroll Reconciliation Retirement Section. These areas use documentation from the FERCCA package along with information from PAPB to update the



We provide integrated HR personnel and payroll services to more than 170 diverse Agencies and over 650,000 employees across the United States, its territories, and in foreign countries.



employee's TSP records, Social Security records, and Individual Retirement Record.

NFC published a bulletin providing revised guidelines and responsibilities regarding FERCCA submissions on July 3, 2012. The bulletin also includes a new flowchart illustrating the FERCCA process after receipt at NFC. If you have questions regarding the FERCCA process or require priority processing for a specific case, customers can send an email to the FERCCA mailbox at FERCCA.GROUP@nfc.usda.gov.

HUMAN RESOURCES SERVICES - THIRD PARTY REPRESENTATION

As a SSC, NFC continues to support OPM's HR LOB concept through HR services offerings. In past reports, we have covered the full gamut of HR support services that we offer customers. However, in this year's report we would like to spotlight NFC's Third Party Representation services.

We offer cost-effective litigation support that is tailored for your Agency's needs. We want you to know that we have a highly qualified staff of legal professionals with formal legal education and credentials and extensive experience representing Federal Agencies before the following administrative forums: Federal Labor Relations Authority, Federal Services Impasses Panel, Arbitrations, Merit Systems Protection Board, Equal Employment Opportunity Commission, Department of Labor, and the Office of Special Counsel.

We are available to assist you with your representation needs and look forward to hearing from you. If you would like more information on NFC's Third Party Representation services, please contact Cheri Alsobrook, Chief of Labor and Employee Relations Office (LERO), NFC Human Resources Management Staff, at 504-426-0374.

WEBTA HOSTING PLUS

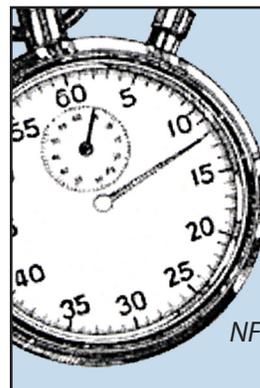
In 2008, NFC developed a business model for utilizing Kronos' webTA application and NFC-related services as a new software service-product

offering using a "public cloud" service concept. With this product offering, an Agency can completely automate its timekeeping and labor management processes, improve data accuracy, reduce costly payroll errors, and complete a variety of Federally-mandated compliance requirements.

webTA Hosting Plus supports employee entry and automated routing of leave requests, premium pay requests, and Time and Attendance (T&A) reports. It also records an audit trail each time the T&A status changes; i.e., created, validated, certified, and sent to NFC for processing in the payroll cycle. Besides webTA migration support, Hosting Plus services provide total technical infrastructure support, including certification and accreditation of your T&A system. Hosting Plus services also provide disaster recovery, technical and functional help desk support, training, reporting, and interface support.

In 2010, NFC established a bi-directional interface between webTA and data contained in NFC's PPS. This interface provides NFC-hosted Agencies with updated HR source data within webTA to improve timeliness and accuracy of employee information. The bi-directional interface keeps webTA information in sync with the legacy PPS. The data included in the interface is comprised of daily employee reference data, needed to establish employee profiles in webTA, as well as bi-weekly updates of leave balances.

In early 2013, NFC will be implementing a pilot for the newest version of webTA 4.0. This is a robust full-feature system that offers many benefits including automated workflow and broad



For more information on NFC's webTA Hosting Plus services please contact NFC via email at

NFCContactCenter@nfc.usda.gov.



accounting and reporting functionality. This version includes Smart time software, which provides multiple front-end edits (business rules) to assist the employee in entering T&A data more accurately by utilizing convenient time-in/time-out entry by project or account; flagging of invalid timesheet transactions;

a suggestion engine for creating valid entries; regular-day-off validation for compressed schedule workers; and automatic holiday-transaction generation based on employee profile. This new version will take us into the transformation of the webTA product for use in many years to come.

COMMUNICATIONS AND TRAINING

At NFC we are dedicated to improving our communications and training approaches for our customers. We understand that the quality of both rests at the core of providing excellent customer service to each customer. One of our highest priorities is to ensure that NFC's initiatives are fully communicated and that every customer has the information they need to productively serve their employees each day.

Over the last year, we have made significant progress on this improvement journey. Some of these accomplishments include modernization of the NFC training program, consolidation of NFC help desks, improved delivery methods for communication, and focus on customer outreach. Our goal is that these improvements will enhance your service experience with us.

Below you will find descriptions of these initiatives. We encourage you to provide us with your feedback on these changes and submit any suggestions for further improvements in our communications to you.

NFC TRAINING MODERNIZATION INITIATIVE

Over the years, NFC has used a well-tested, proven approach to successfully train thousands of end users on many different systems and applications. At the core of this training approach has been instructor-led training that was offered as part of an implementation or on a scheduled or as-needed basis. While this delivery method was effective in satisfying most training requirements, NFC saw the need several years ago to expand training delivery by offering on-line, self-directed training modules for specific applications. By embarking on this path, NFC took the initial steps toward a full

modernization of NFC's Training Program with the goal of providing premier, high-quality training for our customers.

As part of this full modernization of the NFC Training Program, we have consolidated all training functions into a single organization, where a team of dedicated, full-time trainers will modernize NFC's approach to the development, refinement, and delivery of all NFC customer system courses. The new Training Section will be a part of the Government Employees Services Division (GESD), Training and Communications Branch (TCB). During the past several months, we have been working to assemble a cadre of full-time instructors within TCB. These instructors will now go through a development program to be cross trained on all systems and applications as well as schooled in the industry best practices for delivery of adult learning.

Our next step will be to evaluate all training currently offered by NFC to determine the best way to most effectively deliver the information while taking advantage of new delivery methods. NFC will offer blended approaches to training that go beyond the traditional instructor-led training offering. During this evaluation step, a review of current course content, method of delivery, and quality of instruction will be completed as well as areas for additional instruction considered.

In concert with this course analysis, we will:

- (1) establish a unified Learning Standards and Evaluation Framework;
- (2) design and build consistent processes and tools;
- (3) increase understanding around customer needs; and,
- (4) prepare the cadre of trainers in the execution of the framework and corresponding tools. The Learning Standards and Evaluation Framework will



enforce consistent tools and templates for NFC trainers to use throughout the whole learning lifecycle – this will ultimately ensure a consistent and high quality learner experience no matter the course.

Our goal is to develop a thorough modernized training program that is focused on role and skill-based learning and designed under the structure of the Analyze, Design, Develop, Implement, Evaluate (ADDIE) model, an industry standard, to guide training and workforce development activities. Following the ADDIE model, the revamping of current training offerings will occur in five key steps:

- **Analyze Training Needs:** NFC identifies target audience groups and assesses process and technology training needs.
- **Design Role-Based and Skill-Based Training:** NFC will refine and build on the knowledge gained through our analysis to design training that includes both role-based and skill-based curriculum.
- **Develop Training:** NFC will build the required training materials, targeted to meet the skill-based and role-based needs of each audience and accommodate various learning styles.
- **Implement Training:** NFC will plan the logistics of the blended training approach utilizing instructor-led trainings (ITL) as well as simulation and exercise training. This blended approach will accommodate multiple learning styles while also confirm the participant's readiness to utilize the information taught.
- **Evaluate Effectiveness:** Following the first delivery of a new or enhanced training, NFC

will evaluate the effectiveness of the training through participant and management feedback.

We believe that by taking the steps outlined above, we will drive how courses are developed and delivered based the whole-learning lifecycle to achieve optimal customer-learning outcome and improve the overall customer-training experience.

CONSOLIDATED HELP DESK

On October 1, 2012, the GESD launched Phase 1 of the Consolidated Help Desk (CHD) initiative. CHD will improve the quality of customer service and eliminate waste and redundancy by consolidating customer inquiry support for all GESD help desks.

A new organization, the NFC Contact Center (NCC), was established to consolidate the numerous stove-piped help desks into one state-of-the-art help desk. NCC is the single point-of-contact supporting multiple-communication channels such as telephone and Web. NCC's goal is to respond accurately, completely, and timely to incoming customer inquiries.

Phase 1 of the NCC provides help desk support for the following:

- Employee Personal Page (EPP)
- *EmpowHR*
- Payroll/Personnel System (PPS)
- Reporting Center
- Payroll/Personnel Report Generator System (CULPRPT)
- Remote Forms Questing System (RFQS)
- Web-based System for Time and Attendance Reporting (STARWeb)
- webTA Hosting Plus Agencies
- Tribal Insurance Processing System (TIPS)

Advances in Incident Management

Major advances implemented to support the CHD initiative as well as add value and quality include the following:

- **Expansion of Hours of Operation** – NCC offers 4 additional hours of support from 6 a.m. to 6 p.m., central time (CT), Monday through Friday, except for Federal holidays.



NFC is waiting to assist you.

Your single point of contact is
I-855-NFC-4GOV (I-855-632-4468)
6 a.m. - 6 p.m., CT, Monday - Friday
(except Federal holidays)



- **Web-based Submission of Incidents** – Agency-authorized users can submit incidents directly to NCC and check the status of incidents via the NFC Web site using Requester Console.
- **Extended Resolution Window and Resolution Challenge** – The time that an incident remains in a resolved status prior to auto-closing has been extended from 3 to 10 workdays allowing additional time to challenge the resolution of an incident.

A new process allows contacts to challenge the proposed resolution of an incident via email or Requester Console. Within the email providing the proposed resolution, NCC provides a Web link where contacts can challenge the resolution. If a challenge is made, the incident is automatically reopened and submitted for review by subject-matter experts.

- **Congressional and VIP Communications** – Congressional and VIP inquiries are tracked closely for accuracy, timeliness, and completeness. Upon completion, we conduct a fact-finding analysis to review our internal controls and operating procedures.
- **Use of the Table Management System (TMGT) for Authorized Contacts** – To safeguard data security and contain costs, NCC provides service to only the contacts designated by the customer. TMGT was redesigned in October 2012 to allow customers to provide authorized contacts for *EmpowHR* and webTA Hosting Plus in addition to PPS.
- **Resolution Categories** – NCC now uses the Resolution categories: Information Only/Help Desk Answers, Training, and System Error. Resolution category reports by Department/Agency will be provided to the Committee for the Agriculture Payroll/Personnel System (CAPPs) representatives on a quarterly basis.
- **NCC Command Center** – NCC now has a Command Center to ensure required tools are in place for IT Infrastructure Library (ITIL)-compliant incident management. During FY 2013, Command Center activities will include 100 percent call monitoring and recording for training and quality assurance purposes.

The Command Center will also develop automated real-time reports to streamline NCC functionality and effectiveness, which will allow resource sharing (economies of scale).

Robust CHD Communications Plan

- **NCC Brand** – NCC established a logo to help customers identify NCC products, services, and communications.
- **CAPPs Communications and Bulletins** – During each rollout of the CHD initiative phases, Payroll/Personnel Operations Directorate (POD) staff will make presentations at CAPPs meetings and develop customer notifications and bulletins to keep customers apprised of the latest news.

Comprehensive NCC Staff Training

- **Training and Certification Plans** – Training and certification plans ensure that agents, analysts, and supervisors have the knowledge, skills, and abilities to respond accurately, completely, and timely to customer inquiries.
- **On-Boarding/Mentoring Process for New Hires** – A comprehensive on-boarding/mentoring process for new hires ensures mastery of skills and subject-matter topics.
- **Business Processes and Standard Operating Procedure** – A knowledge repository for agent use promotes consistent and accurate responses.
- **Broadcasting** – Broadcasts to agents within the incident management system alert them about important system information.
- **New Training and Quality Assurance Staff (TAQS)** – This staff uses continuous process improvement techniques to train agents on the functionality of each system. TAQS also populates the Tier 0 and Tier 1 knowledge management tools. TAQS develops and implements uniform agent training and refresher courses to ensure that agents can confidently and capably assist clients. TAQS will also diagnose recurring incidents to identify system changes to better meet client needs.

Linking to NCC

Processing tips, responses to Frequently Asked Questions (FAQs), and hyperlinks to bulletins



and procedures can now be found online to assist contacts. If assistance is needed beyond the information available on the Web, users can call the single toll-free number or access the Requester Console for online submission of inquiries.

No matter which communications channel the customer uses, our goal is to resolve 80 percent of the Tier 1 inquiries during the first contact. A tracking number for unresolved inquiries is issued and the NCC agent works with subject-matter experts including analysts, developers, policy staff, and supervisors to completely resolve the inquiry.

Future Phases

The remainder of the CHD project will be implemented over a 2-year period. Phase 2 scheduled for full implementation in June 2013 will add help desk support for the Administrative Billings and Collections System (ABCO) and ABCO Claims along with the Direct Premium Remittance System (DPRS). Phase 3, scheduled for full implementation in December 2013, will provide help desk support for the Federal Employees Health Benefits, Centralized Enrollment Clearinghouse System (CLER) and quasi help desk support for W-2s, retirement, and payroll office functions for TSP. Regular NCC updates will be provided through CAPPS and the CAB.

NFC's EMAIL SUBSCRIPTION SERVICE

Are you connected? Get connected to NFC and stay on top of the latest news, bulletins, and Web site updates through our free email subscription service.

NFC's comprehensive email subscription service allows you to choose what information you wish to receive from NFC and customize how often you receive it. This subscription service ensures that you can receive information that is specifically tailored to your needs and interests.

With this new service you will be able to:

- Create a Customized User Profile of information you wish to receive from across NFC for all topics of interest (e.g., product offerings, payroll updates, procedure manuals, newsletters, publications, customer notification, etc.). This new service offers a single profile for email subscriptions per subscriber instead of requiring you to join disparate lists.

NFC's Email Subscription Service



Are You
Receiving
Email
Updates?

Subscribe today on NFC's Web site.

- Control Your Profile with the freedom to change or update email addresses, sign up for new items, or unsubscribe at any time.
- Receive Timely Communication through this automated service.
- Trust the Communication Source because this service employs a certified email capability which provides a special "trusted email" marker in emails sent to major Internet Service Providers (ISP) such as Yahoo! and AOL. This means we can ensure reliable delivery of messages to your email inbox in a proven, secure manner.

Look for the subscription sign-up icon throughout our Web site to subscribe to that particular topic of interest or use our sign-up feature available from the NFC Home Page Web site (www.nfc.usda.gov) to subscribe to any of our available topics.

If you have questions about NFC's Email Subscription Service, contact the Training and Communications Branch at nfc.pubs@usda.gov.

CUSTOMER OUTREACH

NFC operates a Customer Support Office (CSO) in Washington, D.C., with staff to provide face-to-face interaction as well as assistance in a medley of service areas. CSO is responsible for training support, maintaining and making available PCs for use with our applications, and providing other



general customer support. Upon request, CSO can also provide access to security documents rather than requiring customers to travel to New Orleans for review.

The CSO facilities are used for application demonstrations, quarterly User Groups, and CAPPs meetings, as well as periodic training for

NFC applications such as *EmpowHR*; TIPS; Entry, Processing, Inquiry, and Correction System (EPIC); and for new applications such as *Insight Enterprise Reporting Solution*.

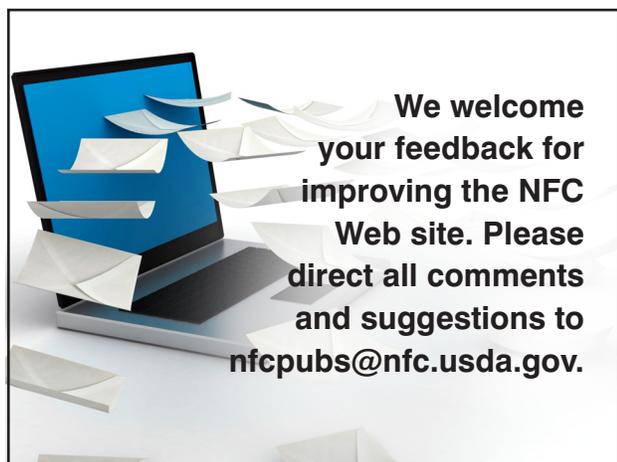
If you require customer assistance in Washington, D.C., please contact our new office manager, Kaci Easley, at (202) 205-0195.

IMPROVING SERVICES

NFC remains dedicated to providing quality services to our customer community. We are always looking for those areas where improvements can increase the quality of our services to you. We do not just want to solve issues; we want to be proactive with changes that can improve your experiences with us on a daily basis. This section is dedicated to some changes that span many of our business lines.

NEW NFC WEB SITE

NFC is happy to bring you our latest Web site redesign in January 2013. The newly redesigned site has been enhanced to make communication and assistance for our users even better. In compliance with USDA's Web Presence Guidance, we changed the look and feel of our site, creating a visually-cleaner and easily navigable site. We remain dedicated to ensuring that our users have all of the resources they need at their fingertips and this new design is dedicated to ensuring that.



Some highlights of the redesign include:

- The addition of a rotating news carousel on our home page to bring your attention to our latest offerings including training opportunities, events, and product enhancements and releases. This is definitely one spot to watch!
- “Last Reviewed/Last Updated” information added to the bottom of all of our Web site pages. This is our way of ensuring that you always have access to the latest, validated content.
- Descriptive metadata added to each page of the site, to be reflected in the search results. Now when you search our site, the returned results will alert you to the type of document and provide you with a brief description of the document. This is just one of the first enhancements to search functionality coming your way, so stay tuned.

Our Publications are also in the process of getting a “make-over.” As we enter the new year, NFC will begin releasing our procedure manuals in an easily accessible, viewable, and searchable Hypertext Markup Language (HTML) version. Our HTML procedure manuals will offer enhancements, such as a built-in feedback feature that allows us to receive your feedback and pinpoint exactly where in the document your comments are referring to, and the ability to easily search content and view the search results in context/relation to the rest of the document. Look for more information on these enhancements and the many other small, but significant, enhancements all geared toward facilitating your experience as the HTML versions are released.



GESD REALIGNMENT

GESD continues to focus on achieving NFC's overall mission of maintaining its core functions of software development and maintenance, customer service, and business development in support of the payroll/personnel, HR, and insurance lines of business. In 2011, GESD began efforts for a division-wide realignment to improve overall functionality and service offerings across business lines. GESD is now realigned into the following six Directorates as part of those improvements:

Applications Development Directorate (ADD) – Provides overall planning, direction, coordination, and operations and maintenance of application software in support of USDA and other Federal Departments into PPS and/or related support systems provided by NFC. ADD is still divided into five development branches and now includes the Legacy PPS Risk Mitigation Staff Office. This staff office's responsibilities include identifying and determining the strategic approach to convert, modernize, and migrate NFC's PPS mainframe-based systems to a new database structure and convert support systems to Web-based .NET applications.

Client Services Directorate (CSD)– Provides customer support in all business lines. CSD performs Division staff office functions and provides project management support for enterprise-wide projects. CSD is now expanded to include three unique branches for client management support, internal and external training and customer communications, and project control functions that include management of the incident reporting and software change request processes.

Government Insurance and Collections Directorate (GICD) – Established a year ago and now expanded to include three unique branches for debt management, Government insurance services, and consumer insurance programs. GICD responsibilities include OPM's DPRS and CLER. GICD also manages the Pre-Existing Condition Insurance Program (PCIP) and TIPS which are part of the Patient Protection and Affordable Care Act of 2010.

Human Resources Line of Business Directorate (HRLOB) – Manages the HRLOB Shared Service Center offerings, conducts outreach and business development, and guides implementations and migrations of new customer Departments/Agencies and application functionality. The Operations Branch was restructured and renamed as the HRLOB Human Capital Management Branch, which is responsible for managing the implementation of all new customer Agencies into the *EmpowHR* application, and performing Quality Assurance tests for all system enhancements and incident reports for the *EmpowHR* application. The Implementations Branch was restructured and renamed as the Time and Attendance Solutions Branch, which is responsible for managing implementations for PPS, webTA, and Paycheck8, as well as overall user acceptance testing for all customers. Unchanged in the directorate is the Human Resources Applications Branch which is responsible for *EmpowHR* requirements and development.

Payroll/Personnel Operations Directorate (PPOD) – Manages the payroll operations processes relating to PPS and our first consolidated help desk, the NCC, which is described in detail in the previous section of this report.

Payroll Accounting Directorate (PAD) - Manages the payroll accounting processes, including analysis of system payroll outputs to ensure the legality and accuracy of salary payments and the reconciliation of accounting transactions for payroll, retirement, health and life insurance, taxes, and other employee salary deductions.

ESTABLISHMENT OF THE PAYROLL PERSONNEL SYSTEM CUSTOMER USER ACCEPTANCE TEST ENVIRONMENT

The Customer User Acceptance Test (CUAT) environment was launched in 2011 and CUAT continues to be successfully conducted. In 2012, the scope of CUAT was expanded. Testing was performed for the scheduled releases in PP 04, 12, and 20 in addition to testing to support the migration of new applications, Agency



implementations, mandated projects, and customer-focused projects. In the chart below are the test efforts in which CUAT was effectively conducted with servicing Agencies.

NFC continues to expand the capabilities of the CUAT environment to allow more servicing Agencies to perform end-to-end testing of system change requests prior to implementation to production. The EPP, the Reporting Center, and the SPPS Web applications were incorporated into the CUAT environment in PP 10, 2012, and TMGT in PP 20, 2012. As a result, more projects were made

available for CUAT which has increased Agency participation for more thorough testing.

Additionally, significant improvements have been made to streamline the CUAT process to improve communications, test materials, and user access to the test environments. NFC continues to evaluate customer feedback received from lessons-learned meetings and responses to the CUAT surveys to enhance the CUAT process to sustain persistent customer participation for more rigorous testing. Questions regarding CUAT can be forwarded to NFC.PPSUAT@nfc.usda.gov.

CUAT Test Period	CUAT Focus
September 30 – December 6, 2011	Rewrite of the new SPPS Web application
October 4 – November 4, 2011	CUAT Verification of W-2s
November 28 – December 16, 2011	PP 26, 2011, Scheduled Release
December 27, 2011 – January 4, 2012	PP 01, 2012, Scheduled Release
January 24 – February 15, 2012	PP 04, 2012, Scheduled Release
April 17 – May 9, 2012	PP 10, 2012, Scheduled Release
May 15 – June 6, 2012	PP 12, 2012, Scheduled Release
June 20 – September 13, 2012	FEMA Implementation into <i>EmpowHR</i>
September 4 – 26, 2012	PP 20, 2012, Scheduled Release
October 29 – November 9, 2012	CUAT Verification of W-2s

PROJECT REVIEW TEAM

NFC conducts quarterly conference calls with the PRT members. These meetings cover a variety of topics for the PPS, *EmpowHR*, and T&A systems. NFC staff provides detailed updates on projects, including system-wide enhancements that impact our customers. Additionally, projects in Scheduled Releases are identified and updates are provided so that customers may prepare for upcoming changes. Customers are provided the opportunity to ask questions about the projects and obtain feedback to assist in their planning. The implementation of NFC's CUAT environment and testing process is of particular interest to our customers and a portion of each PRT meeting is designated for an update on the CUAT process.

PRT members are encouraged to provide agenda topics to NFC in advance of the meeting, and an item is always included on the meeting agenda to solicit customer comments. As part of NFC's continual improvement efforts, we recently began an initiative to improve the format and content of the PRT meetings and of the bi-weekly reports provided to PRT members. NFC is working directly with the members to solicit information on how the meetings and reports are currently being used and suggestions on how they may be improved. In this age of dwindling resources, it is critical that PRT members have direct input into the content of these meetings. As always, NFC's goal is to ensure that our customers' needs are met and exceeded.



SOFTWARE PROBLEM AND INCIDENT REPORT PROCESSES REFINED

GESD is finalizing an initiative to provide a single process for reporting and tracking problems related to all GESD applications. GESD is working to streamline the two problem resolution processes and use a single nomenclature for tracking and reporting on system problems.

Currently, GESD has two similar processes for tracking and reporting system functionality problems: System Problem Reports (SPR) and Incident Reports (IR). The SPR process handles issues related to all of GESD's lines of business except *EmpowHR*, and the IR process handles issues related to *EmpowHR*.

These two existing processes are being merged to provide uniformity and simplify the problem resolution process. The major changes are:

- Problems for all business lines will be referred to as IR. The SPR acronym will become obsolete.
- Reports will be modified to reflect the single nomenclature and other elements of this new process.

All GESD FY 2014 metrics will be reviewed to ensure they support the new process. NFC is excited about the changes and looks forward to a more simplified and efficient process to improve the resolution process for our customers.

CONTROL MEASURES

We understand the trust placed in us by our customers and no task is considered without first reviewing what control measures are necessary. We remain vigilant on this aspect of our service delivery. As such, we have highlighted below our commitment to making this one of our highest priorities.

STATEMENT ON STANDARDS FOR ATTESTATION ENGAGEMENTS 16 (SSAE 16)

During FY 2012, the USDA Office of Inspector General (OIG) conducted an SSAE 16 examination engagement to report on NFC controls that are likely to be relevant to user entities' internal control over financial reporting (formerly referred to as a Statement on Auditing Standards, Number 70 (SAS 70) engagement). OIG conducted this engagement as required by the Office of Management and Budget (OMB) for all service providers and in accordance with relevant attestation standards established by the American Institute of Certified Public Accountants. The result of the engagement was an unqualified opinion stating that:

- NFC's description fairly presented NFC payroll/personnel and application hosting systems that were designed and implemented throughout the period from October 1, 2011, to July 31, 2012.

- The controls included in the description were suitably designed and operated effectively to provide reasonable assurance that the associated control objectives would be achieved from October 1, 2011, to July 31, 2012, if user entities effectively applied the complementary controls contemplated in the design of NFC controls throughout this period.

A-123

NFC continues to meet the requirements of the OMB Circular A-123, Management's Responsibility for Internal Controls, Appendix A: Internal Control over Financial Reporting, for the process of documenting, assessing, and testing the internal controls. We are proud to report that no material weaknesses in the design or operation of our internal controls through this annual process were found.

NFC Assurance Statement

NFC can provide reasonable assurance that its internal controls over financial reporting as of July 31, 2012, were operating effectively and that no material weaknesses in the description, design, or operation of the internal controls over financial reporting were found.



DATA CENTER AND SECURITY SERVICES

NFC's data center staff continues to enhance IT security, improve operational availability, and reduce operating costs. Listed below are the major accomplishments we have made in these areas.

ENHANCED INFORMATION TECHNOLOGY SECURITY

Security continues to be the number one priority for the NFC data center staff. NFC completed full certification and accreditation (C&A) of its entire general support systems as well as *EmpowHR*, thereby ensuring that all 12 NFC major applications and general support systems have a full Authority to Operate (ATO). In addition, we have continued to work diligently to ensure that our interconnectivity service agreements (ISA) with all customer organizations are up to date.

This past year, NFC installed a new system to log and monitor critical events that could pose a threat to NFC's systems and data. This new capability will provide NFC a true "early warning" system that alerts data center operations and security personnel to suspicious activities, allowing them to take timely actions to prevent or contain malicious activity.

In 2012, NFC was an active participant in National Level Exercise (NLE) 2012, part of a series of congressionally-mandated preparedness exercises designed to educate and prepare participants for potential catastrophic events. The NLE 2012 process examined the Nation's ability to coordinate and implement prevention, preparedness, response, and recovery plans and capabilities pertaining to a significant cyber event or a series of events. NFC's participation in this exercise validated our ability to identify, contain, mitigate, and respond to a large-scale cyber security incident.

Also in 2012, NFC discontinued creating and mailing compact disks (CD) that contained data extracts for import into automated systems. The data is now sent to a secure, electronic storage facility for online retrieval and downloading.

Another key component of security is disaster recovery. NFC completed two very successful

disaster recovery drills this past year. Mission-critical systems were recovered within the prescribed recovery time, thus proving yet again, that NFC can bring these systems back online when needed.

Finally, NFC has established a partnership with the Federal Bureau of Investigation to assess our cyber security posture and make recommendations of how best to deal with the evolving threats. The world of Cyberspace is getting more dangerous every day. It is absolutely essential that we have the tools in place to counter that ominous threat to ensure that we protect your data

IMPROVED OPERATIONAL AVAILABILITY

Maintaining operational availability is another focus area for the data center staff. This means that we strive to have systems available when you need them. For the third year in a row, NFC maintained an unprecedented operational availability rate of 99.9 percent. Supportability is an essential element of system availability. Over the past year, NFC has upgraded more than 30 software packages that were scheduled to go out of support, thereby ensuring on-going supportability. In addition, we completed several projects that replaced obsolete hardware with newer, most-cost-effective and energy-efficient components.

REDUCED OPERATING COSTS

In these times of ever decreasing budgets, it is imperative that NFC's data center reduce the cost of ownership. We completed resizing of some of our hardware platforms that decreased maintenance costs as well as software licensing fees. Also, we implemented a new approach to storage management that reduced the cost of storage to our customers by 30 percent. NFC has successfully increased data center revenue by expanding service offerings to existing customers.

Additionally, NFC migrated its HR system, *EmpowHR* to NFC's data center. This move will result in a significant annual operating cost savings compared to the cost of the previous service provider.



NFC implemented data center energy-efficiency improvements that resulted in a 6 percent decrease in energy consumption from FY 2011 levels. In addition, we initiated another set of improvements that will be implemented this year that will further decrease energy consumption by an additional 10 percent over FY 2011 levels.

Cost effectiveness must be the mantra in everything we do in the data center. It is not about the technology; it is about the business value of the technology.

We will continue to take this business approach to data center management so that we can continue to drive down operating costs.

While we have made great strides in the areas of security, system availability, and operational efficiencies, we know that we cannot rest on our laurels.

CONTINUITY OF OPERATIONS

The loss of service from a Federal Agency such as NFC could have a disastrous, widespread effect. Beyond the safety and well-being of NFC employees, more than 650,000 Federal employees as well as many Governmental administrative and vendor payments rely on the services rendered through NFC and other OCFO organizations located in New Orleans. Thus, any loss to their capacity to fulfill their mission would have a significant, adverse impact on the economy and ultimately the country.

NFC takes great strides to protect the services we provide to our customers through a robust Continuity of Operations Plan (COOP) program. The COOP program protects people, sustains business operations, and meets the mission of NFC. It facilitates the recovery of business operations in a timely manner focusing on business critical functions first.

Business Operations

Once again, NFC demonstrated its ability to rapidly respond during a natural disaster. In August 2012, as Hurricane Isaac traversed the Gulf of Mexico, Agency leaders immediately turned to its well-honed COOP program to chart the Agency's course. A cadre of essential personnel was deployed to an alternate worksite (AWS) location. This facilitated an orderly transfer of essential functions from the staff at the Business Operations Facility (BOF) to the AWS location with minimal disruption to customer Agencies. The NFC team was ready to successfully continue key Agency operations within hours of their arrival. Similar success was achieved when Agency operations were returned the BOF shortly after Hurricane Isaac dissipated.

Employee Awareness

NFC continued to conduct our employees' COOP awareness briefings ensuring they remained well acquainted with the important role they play in the COOP program. In addition to the information presented, employees were able to develop a personalized COOP toolkit using the fact sheets posted in the Web-based COOP information portal. The planning and preparation completed in advance helps to ensure that employees are ready to respond when a COOP event arises.

Of special note this year is NFC's expanded use of the Emergency Notification System. The system was used as part of the Agency's employee accountability efforts during natural disasters or other sudden catastrophic events. During Hurricane Isaac, the system was used to send customized voice, email, and/or text messages with vital status information on a daily basis. This ability not only helped to keep employees informed but, also contributed to the rapid mobilization of the workforce in advance of the storm and the timely return of Agency operations to the BOF in New Orleans.

Federal COOP Mandates

NFC's COOP program adheres to the FEMA's Federal Protect Circular 65 and the USDA Departmental Manual 3140-1 which compels Agencies to develop and test contingency plans to meet emergencies. While NFC's COOP program encompasses multiple scenarios and the courses of action that would be enacted, the Agency's performance yields confidence among employees and customers.



FINANCIAL UPDATES

NFC is committed to providing exceptional service and value everyday to you our customer. With today's ongoing budget constraints and uncertainties, NFC's focus is on managing costs so that we can deliver reliable, high-value services. We strive everyday to control our costs and ensure that you only pay for services you need and receive. We recognize the need for you to understand our rates and how you can exert more influence and control over those rates. Each and every customer is important to us, and we sincerely appreciate your continued support.

BASIC RATE INFORMATION

NFC, a working capital fund activity of USDA, operates under the Economy Act on a fee-for-service basis. We do not receive direct appropriations from Congress and must operate under a "break-even" model where annual costs cannot exceed revenue. As a result, NFC's revenue and costs are identified by major business lines and applications (e.g., PPS, *EmpowHR*, and webTA), and our rates reflect this break-even mandate. Service level agreements (SLA) are provided for each of our major lines of business. These SLAs describe specific services and the performance measures collected and reported on service delivery.

NFC determines the total cost of operations on an annual basis. Costs are identified as direct or indirect and by major lines of business. All direct costs such as labor, contracts, supplies, etc., are accumulated into cost pools. Indirect costs for administrative support (rent, utilities, security, etc.) and data center operations support (mainframe, mid-tier resources, operations, database support, telecommunications, etc.) are allocated to each cost pool based on appropriate metrics. Once the cost for each pool is determined, specific cost drivers and related prior-year usage and volumes are used to determine the per-unit rate. The per-unit rate for each pool is then applied to each customer's specific usage and transaction volumes to derive the final rates for service.

PPS COSTS

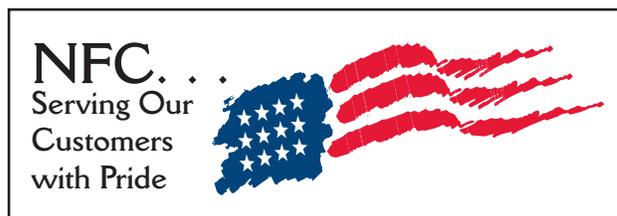
PPS costs cover baseline and additional PPS services. Baseline services costs are identical for all Agency customers and represent the costs to process an employee's T&A data from start to finish. This includes receiving the T&A data, disbursing the net pay, disbursing benefits and withholdings, quarterly tax reporting, and issuance of a W-2. Additional PPS services are those services that are based on individual customer utilization. Transaction counts are used to determine unit rates and final billing for each service. Additional services include postage and handling for Earnings and Leave (E&L) and benefits statements and W-2s; debt management; claims; third-party garnishments; Post-56 retirement processing; international organization appointments; ad-hoc reporting; retirement/separation processing; manual payments; T&A suspense corrections; etc.

EMPOWHR COSTS

EmpowHR operations and maintenance costs cover the standard footprint available to all *EmpowHR* users. These costs are shared by all users regardless of usage. The *EmpowHR* rate for the fiscal year is based on the total number of calendar year W-2s produced for Agencies using *EmpowHR*.

WEBTA COSTS

webTA costs also cover the standard footprint that is available to all users. The operation and maintenance costs of the system are shared by all users regardless of usage. In addition, NFC pays for licenses and migration costs in accordance with specific agreements, and these items are charged only to those customers that directly benefit from these agreements. The webTA rate for the fiscal year is based on the total number of calendar year W-2s produced for the Agencies using webTA.



LOOKING FORWARD

Thank you for being a valued customer of NFC. We appreciate the opportunity you give us each day to earn your trust and satisfy your HCM needs. We enjoy being the provider that can connect the people we serve with the products they need. We remain vigilant in our plans to continue advancing our mission of providing value-added, employee-centric systems and services.

As we have shown in this report, NFC is focusing on several areas to improve customer satisfaction with our offerings. Our efforts have been centered around improving the system change request process, enhancing the quality of help desk operations across all service areas, reducing customer risks and cost, and creating and executing on a vision for future value-added offerings through our HCMS, *EmpowHR* and our Enterprise Reporting Solution, *Insight*.

NFC employees appreciate and value our relationship with you. We continually strive to balance service levels and costs to be most effective at serving you. These imperatives guide our planning and ensure we continue to provide reliable, cost-effective solutions that can be undertaken at low risk. We are also actively working to enhance our customer communications so that you always remain informed regarding our direction.

We thank you for taking the time to learn about our recent developments and the planned enhancements reflected in this report. We are proud to be your SSC provider and remain focused on the fact that serving you is our only mission.





United States Department of Agriculture • Office of the Chief Financial Officer • National Finance Center

