



Lean Government

Office of the Chief Financial Officer (OCFO) Superfund State Contract (SSC) Accrual Process Lean Event Case Study

Summary

EPA's Office of the Chief Financial Officer (OCFO) conducted a Lean value stream mapping (VSM) event in December 2010 to improve the efficiency and accuracy of its Superfund State Contracts (SSC) accrual process. A SSC is a legally binding contract between EPA and a state, and is required before EPA can fund or take remedial action at any Superfund site within the state.

The event's objective was to create a consistent agency-wide approach for the SSC accrual process that would result in accurate data for the production of quarterly accruals for financial statement reporting. The team hoped to accomplish this objective by simplifying and standardizing the process, automating it where possible, and providing direction for EPA policy.

During the five-day event, the team mapped out current-state and "immediate future state" process maps, identifying areas where the process could be simplified and improved. Once the immediate future state has been fully implemented, the time to produce an accrual will be reduced by more than 50 percent. The team also developed a "future state II," which will require calculating accrual at the aggregate level, and an "ideal future state," which will involve a comprehensive integrated financial management system.

Results

The Lean team identified improvements that will allow for greater efficiency and accuracy in the SSC accrual process. The improvements will result in a reduction in the time to produce an accrual from 15 hours to 7 hours. Duplication of effort will be reduced, as multiple spreadsheets will be replaced by one spreadsheet.

The event resulted in several benefits beyond the improvements identified in the process itself. These benefits included the following:

- The event allowed the team to gain an understanding and appreciation of the role the regions play in preparing financial statements
- The event enabled participants to gain a clearer understanding of the importance of both improved accuracy of the accrual and clearly defined roles and responsibilities
- The event provided a venue to discuss the reports and information that would significantly help in the overall management of the program

Background

Participating Agencies: Participants in the event included: EPA Office of Budget, EPA OCFO, EPA Office of Financial Management, EPA Office of Financial Services, EPA Region 1, EPA Region 2, EPA Region 3, EPA Region 5, EPA Region 8, EPA Region 9, EPA Office of Superfund Remediation and Technology Innovation (OSRTI)

Method Implemented: Value Stream Mapping (5-day event)

When Conducted: December 2010

Consultant Support: Ultimate Lean, Inc.

Scope of the Lean Project

Project Scope: The SSC process, beginning when the SSC agreement is signed and ending with the completion of the entry.

Goals of the Lean Event: The goals of the event included:

- Reduce time to produce accounting estimates
- Increase accuracy of accounting estimates
- Reduce audit findings, with zero material findings
- Reduce duplication of effort
- Increase reliability of data
- Create a consistent agency-wide approach to reflect accurate data for the production of quarterly accruals for financial statement reporting
- Provide comprehensive process information for new software being prepared by the Office of Environmental Information

Process Changes and Improvements

After mapping the current state process, the team observed the following inefficiencies and areas for improvement:

- No clear way to ensure that all state credits, amendments and new SSCs are entered into the quarterly accrual
- Data entry into spreadsheets by both the regions and by CFC is redundant
- Errors in “interpretation” of data
- Inconsistency across regions in listing SSCs (site ID, multiple lines, etc.)
- Some expenses exceed billing or contract value
- Difficult to differentiate between expenditures with multiple lines
- Lack of standardized business processes
- SSCs can be closed out administratively but not necessarily financially, causing the auditors to question program management
- Variability in contract terms of SSCs causes accounting difficulties

The team identified the following improvements which will be implemented in the immediate future state:

- A new database will be developed, containing information on site names, site identification, contract amount, credits, new amendments and state share
- SSCs will be posted in the database as they occur
- Improved clarity in document identification and routing in the regions
- CFC will enter only two adjusted vouchers (AV) transactions
- Increased clarity of the importance of the data and its utility will increase ownership and responsibility

Processes will be instituted across the regions that will alert the SSC coordinator at the point when amendments, letters, and new contracts are signed. This process will correct the information deficiency that affected missing information on the accrual spreadsheets. In addition to the immediate alerts and triggers, any changes in data that affect credits, contract values, or percentage of cost share will be updated when received so that when the quarterly data are uploaded, the data will have already been recorded. This will also eliminate the need for spreadsheets to be sent back and forth for multiple data entries. The necessary data fields will be entered and populated as required by CFC to generate the quarterly accrual. The data fields requiring updates will be displayed on the electronic form (i.e. site name, site ID, contract amount, cost share, and credit). This will eliminate mistakes and reduce the amount of data that are not used during this phase of the process.

Implementation

The team developed the following table of implementation milestones to ensure that the efficiencies and improvements identified during the event will become reality during the months following the event.

| Milestone Activity | Purpose | Timeframe |
|--|---|-----------------------------|
| Develop distribution list and method to ensure receipt of all new SSCs, letters and amendments. Regions confirm points of contact for SSC information. | Improve communications | January 2011 |
| Group issues by regions (instead of sending multiple emails) | Improve communications | December 2010-January 2011 |
| Communicate the SSC Lean results to the regions and OIG | Share results of the SSC Lean event & improve communications | December 2010-February 2011 |
| Share best practice across regions | Bring consistency across regions | February 2011 |
| Design/Develop SSC control forms to capture SSC contract information and explore InfoPath, Lotus notes, and other database systems to import data | Increase completeness and accuracy of the SSC accrual | January – June 2011 |
| Develop SSC reports in FDW/ ORBIT | Standardize “SSC Available Balance Report” to manage SSCs | January – July 2011 |
| Clarify credit issues, removal actions, in-kind service credits, and cooperative agreements | Standardize procedures for consistency | January – August 2011 |
| Feasibility study on calculating accruals at an agency level | Reduce the time to produce the accrual | January – September 2011 |
| Explore SSC accrual integration, new accounting models, and billing process | Automate the SSC accrual process and reduce the time to produce the accrual | January – September – 2012 |

For More Information:

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