
CHAPTER I. OVERVIEW

The American people have had a long-term investment in the resources managed by the Department of the Interior. From its establishment in 1849, the Department has managed many and varied programs including Indian affairs, administering land grants, improving historic western emigrant routes, maintaining boundaries, administering pension laws, issuing patents, conducting the census, and conducting research on the geological resources of the land. Following the conservation movement at the beginning of the 20th century, however, the Department focused its attention on the preservation, management, understanding, and use of natural and cultural resources with an increasing sense of the fragile nature of those resources and the interdependence of ecosystems.

Department Mission

Today, the Department's mission is:

“To protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to tribes”

Charged with this mission, the Department ensures that the Nation's investment in its natural and cultural resources is cultivated to guarantee the optimum environmental, recreational, cultural and economic benefits for the American people.

One of the Department's principal goals has been to ensure that the funding the American people provide is used as efficiently and productively as possible. To achieve this goal, the Department has focused on three areas — streamlining and re-engineering, improving accountability, and customer service. As a result, the Department has been a leader in the Administration's initiative to reinvent Government and implement the recommendations of the National Performance Review (NPR). The reduction of our workforce responds to the President's Executive order, the Federal Workforce Restructuring Act of 1994, and the Secretary's direction to reinforce employees in the field who are in direct contact with the public. Other driving forces promoting improved efficiency and effectiveness include the Chief Financial Officers (CFO) Act of 1990, the Government Performance and Results Act (GPRA) of 1993, the Government Management Reform Act (GMRA) of 1994, the Federal Acquisition Streamlining Act of 1994, Information Technology Management Reform Act of 1996 (ITMRA), Debt Collection Improvement Act of 1996 (DCIA), and the Federal Financial Management Improvement Act of 1996.

Chief Financial Officer Organization

The Department has developed and implemented a sound Chief Financial Officer Organization that is capable of successfully meeting the current and future challenges in Federal financial management. The CFO organization is headed by the Assistant Secretary for Policy, Management and Budget (see Appendix A) who was appointed as the Department CFO. The Department CFO provides detailed and objective advice on program planning, budget, and policy matters; oversees compliance with environmental statutes and standards; develops and maintains internal administrative policy, standards, objectives, and procedures for use

throughout the Department; oversees the administrative appeals process; and, undertakes special analytical and administrative support services for the Office of the Secretary. In addition, the Department CFO leads Interior's CFO Council in addressing emerging financial management issues and fulfilling its financial management vision.

Collaborative Working Relationships

The Department recognized that, in order to improve financial management and effectively reengineer and streamline financial management activities and processes, it was imperative that collaborative working relationships between program managers and financial managers be established. Therefore, the Department has established strong collaborative working relationships through the Interior CFO Council, the Interior Management Council, the Finance Officers' Partnership, and reengineering laboratories sponsored by the Department in support of NPR. In addition, the Department has an ABACIS Bureau Partnership of MMS, OS and OSM based on a memorandum of understanding to share resources, where possible, to achieve streamlining of financial resources in the three bureaus to improve and streamline operations supported by ABACIS.

Interior CFO Council - In 1992, the Department formed the CFO Council to advise and assist the Departmental CFO in establishing and carrying out effective Department-wide financial management policies and management controls, and in efficiently and effectively implementing the CFO Act. The council assists in identifying bureau and Departmental financial management issues for consideration by the CFO including areas requiring uniformity and consistency, initiatives crossing bureau lines, criteria for selecting and promoting financial management personnel, financial management training, and development of financial statements and integrated systems, the importance of internal controls, maximization of cost recovery, selecting program performance measures, and the generation of necessary financial management plans and reports.

Interior Management Council - The Council, which is chaired by the Assistant Secretary - Policy, Management and Budget, and comprised of the Deputy Assistant Secretaries, Directors of Administration and other senior bureau and Department management staff, meets monthly to establish and monitor the implementation of high priority management initiatives requiring uniformity and consistency across bureau and organizational lines.

Administrative Services Advisory Board (ASAB) - The ASAB was established to provide executive management leadership and guidance to DOI service providers who offer administrative services on a fee-for-service basis and to provide Departmental strategic planning direction for administrative services.

Finance Officers' Partnership (FOP) - The FOP was established to enable the Department to work better and cost less through the collaborative planning, development and implementation of improved financial management policies and practices. See Appendix B for a description of the FOP.

Software Advisory Board (SAB) - The SAB was established as a permanent subcommittee of the FOP to provide analytical and technical support to the FOP in the areas of FFS software design, development, and implementation.

Standard Accounting Classification Advisory Team (SACAT) - The SACAT was chartered by the FOP to establish and maintain a common approach among the bureaus for addressing accounting classification issues including Standard General Ledger (SGL) maintenance, accounting policy and procedures, internal controls, and reporting requirements. The SACAT's primary functions are to effectively and efficiently address standard accounting classification and accounting model issues, standardize the Department's SGL accounts and accounting entries, and to ensure internal controls and audit trails are maintained, establish and maintain consistency among the bureaus in financial reporting, and provide the accounting community with a basis for achieving a common understanding of accounting standards.

Information Technology Steering Committee (ITSC) - The ITSC is the primary review and recommendation body for information resources management in the Department. The ITSC is responsible for reviewing new and major acquisitions involving information resources management, monitoring the progress of major information systems development, recommending IRM policies and standards, and reviewing IRM budgets and strategic plans for major information systems improvements.

Property Management Partnership (PMP) - The PMP, comprised of personal, real and museum property management officials from the bureaus and the Department, was formed in FY 1997 to increase productivity, promote multi-bureau initiatives, and avoid the costly development or modification of duplicative, independent, stand-alone systems.

Acquisition Managers' Partnership (AMP) - The AMP, comprised of senior procurement managers from Interior's bureaus, was formed in FY 1998 to serve as a forum to work cooperatively and continuously to improve the management, efficiency, and effectiveness of procurement services in support of Interior's mission.

Financial Management Vision and Goals

The Department has adopted the following updated financial management vision established by the Office of Management and Budget (OMB) and the Government-wide CFO Council.

“Shaping an environment in which government officials use high quality financial and performance information to make and implement effective policy, management, stewardship, and program decisions.”

Each year OMB and the Government-wide CFO Council develop goals and initiatives that are published in the Federal Financial Management Status Report and 5 Year Plan. These goals and initiatives are consistent with the Federal Financial Management Vision, and form the basis for many of the initiatives in the Department's Financial Management Plan.

The Department's focus and priorities following the Federal Financial Management Plan is to improve financial management over the next five years by:

- Obtaining unqualified audit opinions on financial statements.
- Improving financial management systems.
- Implementing the GPRA.
- Developing financial human resources and the CFO organization.
- Improving asset management.
- Ensuring management accountability and control.
- Modernizing payments.
- Providing financial data stewardship.
- Improving administration of Federal assistance programs.

The Department initiatives in support of these government-wide priorities are described in the following chapters.

The Department is committed to integrating its program management functions with financial management functions (budget, financial reporting, performance measurement and analysis, and financial statement audits). The Department is also committed to playing a leadership role and making considerable contributions to the development and implementation of government-wide financial policies and programs in the areas of accounting and reporting standards, financial systems, streamlining financial management processes, franchising, and meeting the objectives of the NPR and GPRA.

The Department, like other Federal agencies, has expended considerable resources in rethinking the way it conducts its business; provides the necessary leadership to efficiently manage its resources; provides timely and accurate financial information for stakeholders and program managers; and, contributes to restoring public confidence in government. The Department intends to continue this effort.

Within this context the Office of Financial Management has a primary role in providing leadership in improving financial management in the Department. In this role it assists the Department in achieving these goals by:

- Providing leadership to promote the efficient management of Departmental resources and assets.
- Providing quality financial services to internal and external customers based on their needs.
- Providing high quality financial information on Departmental operations which fully supports financial and performance reporting.
- Enhancing the framework that provides sound financial policies and services, and facilitates effective communication.

- Further enhancing financial management use of modern technology and business practices.

The Department recognizes that capital and human resource constraints, organizational streamlining, re-engineering, rightsizing, and accelerating technological advances all pose major challenges for the timely achievement of our financial management improvement goals. Many of the planned actions for 1999 and beyond are contingent on obtaining necessary resources. However, we believe that the plan established for the Department focuses on improving the areas necessary to ensure integrity in our operations and provides financial management leadership in support of the Department's mission.

Financial and Performance Management

The Department has established three primary performance goals for its financial management program. These goals are:

Goal 1: Integrity - Strengthen the integrity of financial operations to ensure accuracy of financial data and management control over activities.

Goal 2: Efficiency - Optimize financial management operations to increase customer satisfaction and decrease costs to the Department.

Goal 3: Reporting - Improve financial and performance reporting to better support management decisions at all levels and to ensure compliance with the Government Management Reform Act and the Government Performance and Results Act.

Each of these goals is supported by performance measure(s).

Goal 1 - Integrity

Performance Measure - Audit Opinions

Independent financial audits attest to the validity and reasonableness of the information disclosed in the financial statements and the accompanying notes and supplemental information to assure OMB, Congress, and the Public of the integrity of Department's external reporting. The following three opinions are issued annually by the Office of the Inspector General: (1) financial statements, (2) internal controls, and (3) FFMIA. Auditors classify financial statements in one of three categories: disclaimer, qualified, or unqualified (clean).

Objective: Achieve and maintain unqualified (clean) audit opinions on the financial statements included in the Department's Annual Accountability Report for all opinions.

Status

Audit Opinions

OPINIONS	ACTUAL		TARGET			
	1997	1998	1999	2000	2001	2002
Financial Statements	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Internal Controls	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
FFMIA	N/A	Qualified	Qualified	Unqualified	Unqualified	Unqualified

Performance Measure - Correction of Audit Finding

A number of internal control weaknesses are identified by independent auditors and reported by the Office of Inspector General, professional audit firms through single audits findings and GAO reported. These audit findings need to be corrected in a timely manner.

Objective - Correct within one year 75 percent of the audit findings reported in financial statement audits Office of Inspector General Reports single audit findings and GAO Reports and correct all internal control weaknesses within three years of being reported.

Status

Correction of Audit Findings

Long Term Goal Measure	Actual		Targets			
	1997	1998	1999	2000	2001	2002
Pending Internal Control Weaknesses	13	10	7	5	3	2
IG Reports	34	31	28	25	20	15
GAO Reports	37	31	28	25	20	15

Goal 2 - Efficiency

Performance Measure - Prompt Pay

Payments are required to be made within a given period of time or the government is required to pay interest. Performance is measured by the number of late payments requiring interest penalties to the total number of payments subject to the Prompt Payment Act.

Objective - Reduce the percentage of payments with interest penalties and the percentage of interest paid to a level at or below the Government-wide average of three percent.

Status

Prompt Pay

Long Term Goal Measure	Actual (%)		Targets (%)			
	1997	1998*	1999	2000	2001	2002
Percentage of payments requiring interest penalties based on number of payments	8.8	7.0	3.0	3.0	3.0	3.0
Interest paid (\$ in 000s)	\$1,213	\$724	\$400	\$400	\$400	\$400
Interest Paid as a percentage of payments	.07%	.06%	.02%	.02%	.02%	.02%

* as of 6/30/98

Performance Measure - Use of Electronic Funds Transfer (EFT)

The DCIA requires all payments to be made by EFT by December 31, 1998, unless covered by waiver as measured by the percentage of total payments issued that were made via electronic mechanisms.

Objective - Use electronic funds transfer to the maximum extent possible to include all payments except those covered by waiver.

Status

Use of Electronic Funds Transfer (EFT)

Long Term Goal Measure	Actual		Targets (%)			
	1997	1998	1999	2000	2001	2002
DD/EFT Salary Payments	90	94	96	97	98	99
Vendor Payments via EFT & Purchase Card	39	81	94	95	96	97
Miscellaneous Payments via EFT, Purchase Card, and other electronic means	42	74	77	78	80	85

Performance Measure - Transfer of Eligible Debt

The DCIA requires agencies to transfer eligible debt to the Department of the Treasury.

Objective - Transfer all eligible debt to the Department of the Treasury in compliance with DCIA.

Status

Transfer of Eligible Debt

Long Term Goal Measure	Actual		Target			
	1997	1998	1999	2000	2001	2002
Percentage of Eligible Debt	6%	80%	90%	100%	100%	100%

Goal 3 - Reporting

Performance Measure - Combining financial statement information with performance data

Combining annual financial and performance reports provides a more accurate overview of financial operations and program results. Performance information is necessary to comply with GPRA requirements and is critical to better support management decisions. Combining cost data with performance data adds to its value to managers.

Objective - Increase the reporting of performance information in the Department's Accountability Report and in bureau level reports and increase the number of measures that include cost information.

Status

Combining Financial Statement Information with Performance Data

Long Term Goal Measure	Actual		Target			
	1997	1998	1999	2000	2001	2002
Ratio of selected, high-level annual performance goals reported in the Department's Annual Accountability Report	One performance goal for each bureau	25%	100%	100%	100%	100%
% of Accountability Report measures involving costs	N/A	10%	20%	30%	40%	40%
Ratio of bureau annual performance goals reported in the bureau's Annual Report	At least one performance goal	25%	50%	75%	90%	100%
% of Bureau Reported measure involving costs	N/A	10%	20%	30%	40%	40%

Performance Measure - Interim financial and performance statements

Produce interim financial statements for all Interior bureaus and the Department, and improve the availability of financial and budget information to management within the Department. This would be measured by the number of interim reports produced within the fiscal year.

Objective - Produce interim financial statements twice during the fiscal year and one interim report on performance data.

Status

Interim Financial and Performance Statements

Long Term Goal Measure	Actual		Target			
	1997	1998	1999	2000	2001	2002
Interim financial statements published for internal use by management	none	once, as of 6/30	twice, as of 3/31 and 6/30	at end of each quarter	at end of each quarter	monthly
Interim performance data based on annual performance reports published for internal use by management	none	none	once, as of 6/30	twice, as of 3/31 and 6/30	at end of each quarter	at end of each quarter

Benchmarking of Financial Management Functions and Operations

The Department feels strongly that we need to be continually evaluating how well we are doing against the best in government and industry. To do this the Department uses a process of benchmarking. Benchmarking is the comparison of similar processes across organizations, companies and industries to identify best practices.

In 1993, the Department conducted a best practices study of the financial components of its administrative activities. This systematic and unprecedented initiative looked at 102 accounting processes in 19 functional areas and was structured to identify those processes which should be standardized, improved or eliminated to improve efficiency and achieve cost savings. The objective of the study was to obtain cost and FTE savings of at least 25 percent in each of the DOI Finance Offices. More than 60 recommendations were identified and prioritized, and led to the establishment of 15 Finance Officer Partnership Project Action Teams. In fact, measuring central office function using the best practice methodology, by FY 1995 the Department had reduced the Central Finance Office functions FTE by over 28 percent and resources by over 13 percent.

In 1996, the Department updated the best practices study by participating in a benchmarking study sponsored by the American Institute of Certified Public Accountants (AICPA). This update was intended to confirm that in fact the Department had achieved the planned FTE savings and to assist the Department in determining areas with great potential for improvement and cost savings. The AICPA study used The Hackett Group, an Ohio corporation that specializes in business re-engineering, to provide technical expertise and a database application with detailed process definitions that had been developed specifically for this study. The Hackett Group Benchmark program is the largest, most comprehensive finance study of its kind, with more than 650 companies participating worldwide. The Interior benchmarking study used 1996 data and covered over 60 finance processes. The Department was compared to companies in the “large service company database”, and results showed that overall the Department was better than the average of all companies in the data base, although not as good as those in the first quartile — the top performers. The following summarizes some of the more significant results:

- The Department spent over \$70 million annually on finance functions.
- Finance costs represent 1.3 percent of Department revenue.
- The Department employs 949 finance staff.
- Finance operations process over 3.6 million routine transactions per year (transaction volumes).
- Finance staffs are highly educated and highly experienced — low turnover.
- The Department has additional opportunities for leveraging best practices.
- Potential opportunities for savings are greatest in transaction processing.
- The Department should continue to follow the approach of reducing and simplifying finance costs, maintain its “cross functional perspective”, leverage best practices; and develop common information systems and structures.

During FY 1998, the Department updated and compared the FY 1996 study against the most recent Hackett Group database. The Department has received preliminary information from The Hackett Group on the data submitted for the updated study and some of the more significant results are:

- The Department spends \$84.1 million dollars annually on finance.
- Overall finance cost represents 0.88 percent of revenue.
- The Department employs 111 finance staff per \$1 billion of revenue.

- Overall finance cost places the Department in the first quartile.
- Systems cost is 25 percent lower than first quartile.

We feel that the results indicate that on a whole the Department is operating an efficient financial management organization. However, it also highlights some areas where we can improve particularly in the area of transaction processing and in increasing our decision support capabilities. These are areas we intend to improve and these priorities are reflected in this plan.