



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

III. FINANCIAL MANAGEMENT SYSTEMS

The Department shares the view of the government-wide CFO Council that a key to improved financial and program management is improved financial management systems. Performance reports, financial statements, and electronic commerce are all derived from and are dependent on sound Departmental financial management systems. Improving financial management systems will provide for and strengthen our decision-making capabilities and enable Interior program and financial managers to more effectively carry out the Department's missions.

The Department continues to move toward the objective stated in OMB Circular A-127 for each agency to establish a single, integrated financial management system. The Department views the movement toward a single, integrated financial system as encompassing three interrelated elements: (1) migrating to integrated Department-wide systems for accounting, payroll/personnel, procurement, and property; (2) improving or replacing certain mixed systems; and (3) effectively interfacing or integrating data from other financial management systems necessary to properly support program and financial managers.

The Department has made significant progress in improving its financial management systems. Since the mid-1980's, the Department has initiated several major systems efforts aimed at improving its financial systems, and eliminating duplicative and redundant systems.

- Personnel/Payroll Systems - The number of personnel/payroll systems used within the Department was reduced from 5 to 1 by 1984. The Department's existing personnel/payroll

system (PAY/PERS) will be replaced with a fully integrated, modern, on-line system, the Federal Personnel/Payroll System (FPPS), being developed by the Bureau of Reclamation's Denver Administrative Service Center. FPPS development will be completed in October 1996, with implementation to follow during FY 1997.

- Core Financial Systems - The number of existing bureau core financial systems was reduced from 10 to 2. The FFS has been implemented in 8 bureaus which account for over 95 percent of the Department's accounting transaction volume. The remaining three bureaus have not migrated to FFS because funding has not been appropriated in recent years to convert their agency system to FFS. Instead, these three bureaus, who all use ABACIS, formed a partnership to increase the standardization of financial management activities across the three bureaus and to coordinate and share in the cost of system changes and improvements thus insuring a virtual, single accounting system.

- Acquisition Systems - The Department initiated a project in 1993 to acquire and implement a standard procurement system, the Interior Department Electronic Acquisition System (IDEAS). The system automates the acquisition process in requisitioning, contracting, purchasing, and contract administration. Commercial software has been procured and modified to meet Departmental needs. Implementation is underway (approximately 85 sites have been implemented), and completion is scheduled for FY 1998.

- Administrative Service Centers - The Department established two Administrative Service Centers (ASCs) and is cross servicing its own bureaus and other Federal agencies. The ASCs are providing consistent, high quality, and



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cost-effective services such as accounting, personnel/payroll, procurement, and other administrative support.

Through these and related efforts, the Department is making substantial progress toward complying with the OMB definition for a single, integrated financial management system. In meeting the definition, the Department relies on a variety of financial management systems that are collectively necessary to support program and financial managers. These systems are managed at various levels within the Department. Some of these systems are managed on a Departmental level, others are maintained at a bureau or local level, and some are government-wide systems that the Department relies on. Collectively, they represent the Department's current financial system architecture as shown in Exhibit III-1, arrayed by the different types of management approaches being used.

However, the Department does not at the present time meet the OMB requirements for a single, integrated financial management system in three respects: not all systems are linked electronically to the accounting systems, the Department continues to operate two primary accounting systems (FFS and ABACIS), because the funding necessary to migrate the three remaining bureaus to FFS has not been appropriated in recent years. In addition, the migration of the ABACIS bureaus to FFS is dependent upon the availability of a software version (Open FFS) that operates on other than a mainframe computer platform, and the Department has not yet established financial management systems with standardized information and electronic data exchange between the two primary accounting systems and other financial and mixed (program and financial)

systems, although various initiatives are underway to establish Department-wide standardized financial data classifications and improve electronic transmission of data between financial systems.

The Department's goal is to resolve the above issues and to enhance the financial management systems capabilities to improve support for the partnership between the program and finance managers. Budgetary funding and human resource constraints, and accelerating technology advances pose major obstacles to achieving our financial management systems improvement initiatives in the future. Further, strategy initiatives will be affected by the changes brought about by organizational rightsizing, streamlining, and re-engineering opportunities arising from the National Performance Review and Departmental re-engineering laboratories. Timely completion of FOP initiatives, migration of Departmental administrative systems to an "Open Systems Environment", a clear focus on improving customer service, and the expansion of the Department's previous successes in streamlining financial systems/processes into other areas will be critical for success in achieving the Department's goal.

Financial Management Systems Improvement Strategy

As required by OMB Circular A-127, the Department is moving aggressively toward establishing a single, integrated financial management system. Exhibit III-2 illustrates the planned financial system architecture for the next 5 years. To achieve this architecture, the Department continues to work toward completing six major financial management systems improvement strategies: migrating the Federal



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Exhibit I

Department of the Interior
Financial Management Systems - Current Environment

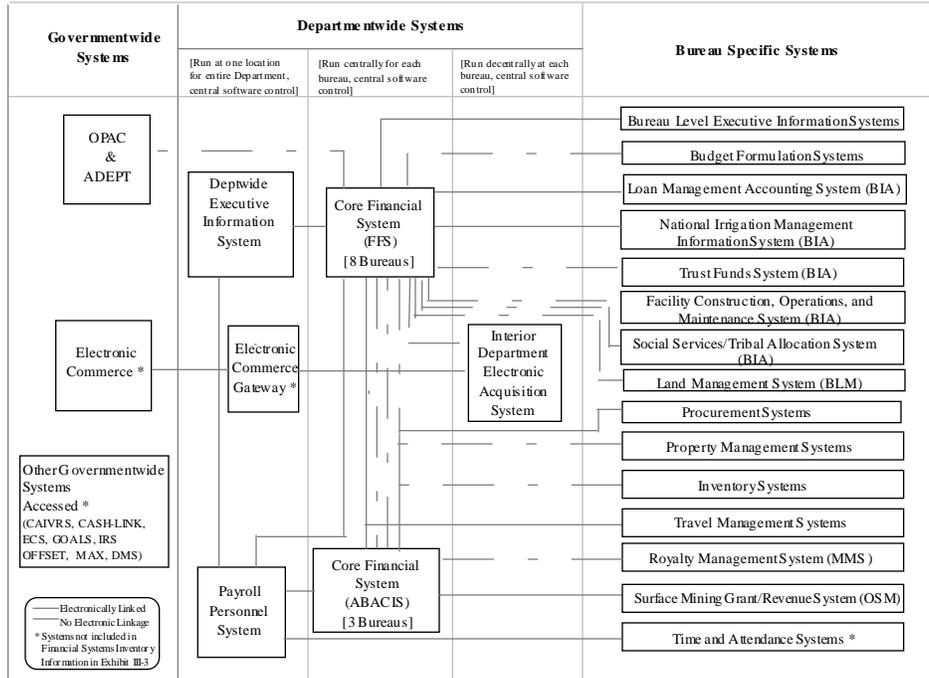
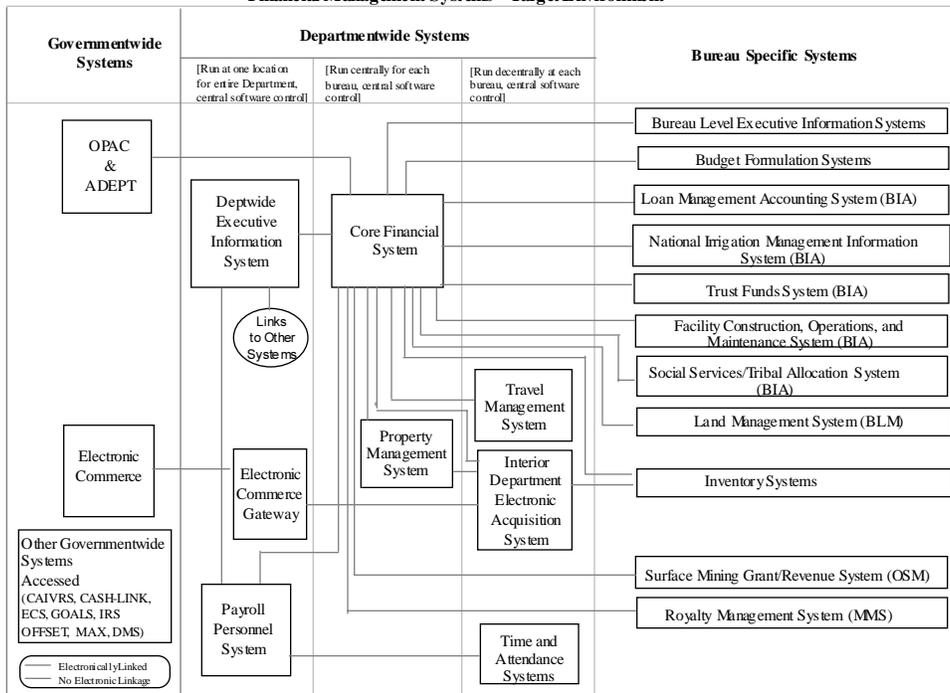


Exhibit II

Department of the Interior
Financial Management Systems - Target Environment





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Department of the Interior Financial Management Systems Supporting System/Applications

DEPARTMENTWIDE SYSTEMS

Departmentwide Executive Information

- Decision Support System/Executive Information System (DSS/EIS)

Payroll Personnel System

- Federal Personnel/Payroll System (FPPS) (New Departmentwide System Being Implemented Phases)
- Payroll/Personnel System (To Be Replaced By FPPS)

Core Financial System (FFS)

- Federal Financial System (8 Bureaus)
FFS MICROLINK (Used By Various Bureaus)

Core Financial System

- Advanced Budget/Accounting Control and Information System (3 Bureaus)

Interior Department Electronic Acquisition System

- Departmentwide System Being Implemented In Phases And Intended To Replace Bureau Procurement Systems

BUREAU SPECIFIC SYSTEMS

Bureau Level Executive Information Systems

- Program Management System (BLM)
- Financial Information Reporting System (BOR)
- Administrative Information System (GS)
- Administrative Financial System II (NPS)

Budget Formulation Systems

- Program and Budget System (BOR)
- Budget Formulation System (NPS)
- Loan Management Accounting System (BIA)

National Irrigation Management Information System (BIA)

Trust Funds (BIA)

- Individual Indian Monies System
- Integrated Resources Management System
- General Ledger Accounting for Trusts
- Computerized Credit System
- Investment Portfolio Accounting

Facility Construction, Operation, and Maintenance System (BIA)

Social Services/Tribal Allocations System (BIA)

- Indian Priority System (BIA)
- Social Services Automated System (BIA)

Land Management Systems

- Grazing Automated Billing System (BLM)
- Automated Lease Management System (BLM)

- Payment in Lieu of Taxes (BLM)

Procurement Systems

- Mines Procurement Data System (BOM)
- Bureau of Reclamation Acquisition Information System (BOR)
- Procurement Management Information System (GS)

- Procurement System (OS)

Property Management Systems

- FFS Fixed Assets Subsystem (BIA, BLM, GS)
- Automated Personal Property System (BLM)
- Real Property (BLM)
- Mines Accountable Property System (BOM)
- Moveable Property System (BOR)
- Property Management System (MMS)
- Personal Property Management Information System (NPS)

- Property Accounting and Control System (OS)

Inventory Systems

- FEDSTRIP System (BOR)
- STORES Warehouse Inventory Control System (BOR)

- Material Management Inventory Control (GS)

- DORRAN (GS)

- Inventory Subsystem (GS)

Travel Management Systems

- Travel Manager Plus

Royalty Management System

- Production Accounting and Auditing System (MMS)

- Auditing and Financial System (MMS)

Surface Mining Grant/Revenue Systems

- Grant Information Financial Tracking System (OSM)

- Fee Billing and Collection System (OSM)

- Audit Fee Billing and Collection System (OSM)

- Civil Penalty Accounting/Information Database (OSM)



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Financial System (FFS) to an “open system environment”; implementing a Decision Support System/Executive Information System (DSS/EIS); implementing a Department-wide Procurement System; maximizing opportunities for utilizing Electronic Commerce (EC) and other EDI applications; reducing the number of Property Systems; and improving the Indian Trust Funds Systems. The current status and future plans for financial management systems is described below.

In carrying out the Department’s financial management systems strategy, the FOP plays a key role. Many of the PATs sponsored by the FOP involve improvements to the Department’s financial management systems. Examples of these FOP efforts include:

- Developing an interface between IDEAS and the Department’s accounting and property systems. (Scheduled for completion in FY 1997.)
- Expanding remote data entry of financial transactions throughout the Department. (Guidelines for remote data entry were completed in FY 1996. Remote data entry of financial transactions has been implemented in eight bureaus.)
- Developing a joint testing plan for FFS software releases and standardizing system processing controls and options in FFS where feasible and advantageous. (Revised process completed and used for the FY 1996 release of FFS.)
- Improving the quality of FFS vendor software releases and FFS software enhancement procedures through strengthening acceptance criteria for vendor releases and standardizing procedures and processes for submitting requests for enhancements and problem reports. (Completed in FY 1996.)

- Developing and implementing an improved automated table clearing and archival process in FFS. (Scheduled for completion in FY 1997.)
- Developing an interface between the new Federal Personnel/Payroll System (FPPS) and the accounting systems. (Scheduled for completion in FY 1997.)
- Developing an interface between the Rocky Mountain Bank and FFS to process RMBC transactions. (Software development completed in FY 1996. Software to be installed in three bureaus in FY 1996, with remaining bureaus to implement during FY 1997.)
- Promoting the use of VISION:Flashpoint in Interior bureaus as a tool to improve the ease of use of the current mainframe version of FFS. (Initial implementation efforts are underway in the Bureau of Indian Affairs.)

The major financial management system improvement strategies for the Department are described below:

1. Migrating FFS to an “open system environment”

The FFS vendor (American Management Systems, Inc.-- AMS) is re-engineering FFS using new technology (referred to as “Open FFS”). The architectural objectives of Open FFS are to: support multi-tiered client/server configurations; comply with open systems’ standards; and support portability across multiple platforms, communications protocols, and operating systems (e.g., MS Windows, UNIX, OS/2, etc.). Moreover, Open FFS is being developed using object oriented language and a relational database architecture.



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The end-user objectives of Open FFS can be broadly summarized as follows: be user-friendly and intuitive; provide functional flexibility; minimize data entry; provide inquiries and reporting tools; and be more easily modifiable.

The architectural objectives of Open FFS satisfy the Department's overall plan to migrate all Departmental Administrative Systems to an "Open System Environment". Moreover, Open FFS, because of the end-user objectives described previously, provides an excellent opportunity to expand field data entry of accounting transactions. Thus, for these and other reasons, it is in the best interest of the Department of the Interior to pursue the time phased migration to this new FFS environment.

Open FFS is being developed in modules. Program Office Desktop (the first module) is available now. The vendor's current target date for the completion of the development of all the Open FFS modules (including modules for replacing the mainframe components) is the second quarter of calendar year 1997.

Action Items - Interior is currently pilot testing Program Office Desktop at the Washington Administrative Service Center. Moreover, a project team (composed of Departmental and bureau representatives) has been formed to review Program Office Desktop, and the other Open FFS modules as they become available. Completion of the review of Program Office Desktop is planned for the second quarter of FY 1997, with the project team targeting completion of its review of Open FFS for the fourth quarter of FY 1997. However, the project team's efforts are dependent on the vendor

meeting its announced Open FFS software delivery schedule. The Department intends to finalize plans for migrating to Open FFS by the fourth quarter of FY 1997, including identifying the initial bureaus to implement Open FFS. The timing of the migration to Open FFS will be dependent on obtaining adequate sources of funding.

2. Implementing a Decision Support System / Executive Information System (DSS/EIS)

Interior's efforts to implement a Decision Support System/Executive Information System (DSS/EIS) is intended to deliver summary level information to executives to aid in their decisions and provide a user friendly interface and graphics to interact with individuals who may or may not be highly proficient in using computer technology. This effort is part of a Departmental Administrative Systems Workgroup that was established in the fall of 1994 to determine methods for improving access to the Department's administrative systems and delivery of the Department's administrative information to users.

In May 1995, a project team was formed to determine short and long term strategies for Decision Support/Executive Information Systems (DSS/EIS). At that time, Interior did not have a DSS/EIS to provide executives with various views of financial information (e.g., current budget authorities, obligation and expenditure of funds with comparisons to budget, actual and projected FTE information, procurement and inventory data, etc.). This team was composed of representatives from the Office of Information Resources Management, Office of Personnel, Office of Acquisition and Property Management, U. S. Geological Survey, Office of Financial



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Management, and the Washington Administrative Service Center. The efforts of the project team resulted in the acquisition of commercially available DSS/EIS software (Hyperion Enterprise) in September 1995.

Since the acquisition of the Hyperion Enterprise software, Interior has developed several pilot applications to demonstrate DSS/EIS capabilities, including accessing bureau level financial data from FFS and accessing non-financial data from Interior's Procurement Data System. In addition, the Department has developed operational systems for (a) consolidating bureau trial balance data to support preparing the Department's consolidated financial statements (for the FY 1995 Departmental Consolidated Financial Statements, the Hyperion application ran parallel to the Excel application), (b) analyzing revenue and cost information to support the Interior Service Center's efforts to develop the 1997 business plan, and (c) tracking of SF-133 budget execution data submitted by bureaus to the Office of Management and Budget.

Action Items - During FY 1997, the Department plans to use the Hyperion Enterprise software as the single source of preparing the consolidated financial statements for FY 1996, build a financial statement application for one of the ABACIS bureaus for use in preparing the FY 1996 financial statements and for other management reporting, develop a management reporting application for a bureau using data from FFS, build an application consolidating budget information for the Department, and develop a strategic plan for implementing and managing the DSS/EIS for other applications over the next few years.

3. Implementing a Department-wide Procurement System

The Department of the Interior competitively awarded a 10 year contract to Price Waterhouse in September 1993 for the Interior Department Electronic Acquisition System (IDEAS). IDEAS automates the procurement process in requisitioning, contracting, purchasing, and contract administration. The Department began implementing IDEAS in July 1994, with Electronic Commerce (EC) piloted at five sites in three bureaus. In FY 1995 and FY 1996, training was conducted and the software installed at 50 locations in six bureaus, plus about 30 additional requisitioning sites in one bureau. Installation and testing has been completed on a Departmental EDI Gateway and a limited number of procurement sites have been connected.

Action Items - In FY 1997, IDEAS implementation will continue with all remaining bureaus beginning the implementation process. The Department will transition the IDEAS application software from character-based to Windows in FY 1997, thus enhancing the ease of use and increasing the capabilities of the software. The Department expects to implement an interface between IDEAS and the accounting systems, along with the Windows version of IDEAS software as it is implemented. In addition, the Department will continue to operate the EDI gateway to transmit/receive DOI EC transactions to/from the DoD Electronic Commerce Processing Nodes and thus to the Federal Acquisition Computer Network.

The Department will continue to work with other



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Federal agency users of the SACONS/IDEAS software, including GSA, Department of Education, Army, our franchise clients, and others to coordinate and reduce the costs of software enhancements. Currently, the Department is providing (as an OMB authorized Franchise effort) procurement system support to other departments through the cross-servicing provisions of the IDEAS contract. DOI implemented and provided technical support services to the Department of the Treasury, Office of the Secretary; U.S. Customs Service; Federal Trade Commission; and the Federal Communications Commission. The Department expects to begin providing cross-servicing support to the Bureau of Engraving and Printing during FY 1997. Over the next few years, cross-servicing of clients by the Washington Administrative Service Center (WASC) will continue to be expanded.

4. Maximizing opportunities for utilizing Electronic Commerce and other EDI applications

An October 1993 memorandum from the President to the heads of executive departments and agencies established the objective to streamline procurement through the use of Electronic Commerce (EC). Interior has aggressively pursued the President's mandate. For example, Interior was the first Cabinet Department to have FACNET certified sites. Moreover, during FY 1995, Interior had more EC procurement traffic than all other civilian agencies combined. With the continued implementation of IDEAS during FY 1997, Interior intends to increase its volume of EC procurement transactions.

From FY 1993 to FY 1995; the number of purchase cards increased from 4,535 to 9,814. The number of transactions increased from 96,060 to 265,392;

and, the purchase card dollar volume increased from \$17 million to \$68 million. Interior is ranked sixth in overall sales and third among the civilian agencies in dollar value. In FY 1995, 14 percent of small purchases were made with the purchase card. The Department's target is to increase purchase card use to 25 percent of small purchase dollars for FY 1996 and to 40 percent of small purchase dollars for FY 1997. Moreover, the RMBC interface provides a standardized, optimally efficient process which minimizes data entry while improving customer service. With the full implementation of the Rocky Mountain Bank Card (RMBC) interface in FY 1997, Interior bureaus will be receiving and processing RMBC invoices electronically. The FOP has also established a new Project Action Team which, in FY 1997, will be investigating the expansion of electronic invoicing to other selected vendors.

Action Items - The Department is currently in the process of implementing the electronic payment requirements of the Debt Collection Improvement Act of 1996. During FY 1997, Interior will be investigating other forms of electronic payments, such as Visa E-Pay and the use of smart cards for the collection of entrance fees at national parks.

5. Reducing the Number of Property Systems

The Department's property system strategy is aimed at reducing, standardizing, and streamlining the automation of the personal and real property management functions Department-wide. This effort is intended to increase productivity and also to avoid the costly development or modification of duplicative, independent systems. Material weaknesses exist in several bureaus' property management programs. The Chief Financial



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Officers Act requirements and budget constraints compel the Department and bureaus to evaluate their current systems and systems options. The Department will work with bureaus to evaluate those options and ensure that such efforts are Department-wide or multi-bureau in scope. These evaluations are entirely consistent with the Department's administrative systems policies and strategies.

Action Items - During the FY 1997-1998 timeframe, the Department will continue coordinating with the bureaus to reduce the number of separate bureau automated personal property systems. A property module, with an electronic linkage to FFS, has been developed and implemented in three bureaus. In FY 1997, planning will commence regarding the possible implementation of this integrated property module in an additional bureau. In addition, the Department will continue to support bureau initiatives, like those in MMS, designed to integrate and upgrade its property system with IDEAS and its present accounting system, ABACIS. The resulting upgrade will be used by the two other ABACIS bureaus. Progress in FY 1997 and beyond will depend on the necessary staffing and funding being made available.

6. Improving the Indian Trust Funds System

In recent years, reviews by the General Accounting Office, the Department's Inspector General, and independent accounting firms have identified serious financial management problems in the Bureau of Indian Affairs' (BIA's) management of Indian Trust Funds. Reports based on these reviews have indicated, among other things, that current ADP systems are unreliable, inaccurate, inconsistent, inadequate to comprehensively process trust data,

and incapable of supporting investment activities. Also cited were various system-related problems, such as inadequate internal controls and lack of consistent, written policies and procedures.

To bring about long-term constructive improvement in trust funds management, the Department issued a draft report--"Indian Trust Funds and Trust Asset Management Reform Plan" in June 1994. Several initiatives have stemmed from the report, known as the Secretary's "Six Point Plan."

The Six Point Plan includes acquisition of sound, proven commercially available investment and accounting services to facilitate the transfer of trust fund management to skilled investment professionals. Under this initiative, the Office of Trust Fund Management implemented an interim, core general ledger and investment accounting system. This is a service bureau system for tribal investment portfolio data management, cash accounting, and general ledger accounting services. It helps the Office of Trust Funds Management perform fiduciary duties regarding tribal trust fund collection, investment, accounting, and reporting. The system provides state-of-the-art processing capabilities for trust funds administration, without significant capital expenditures or long term commitment.

The Six Point Plan also calls for working toward resolving the complex issues surrounding Individual Indian Money (IIM) accounts, including improving IIM-related systems. An inter-departmental team reviewed the processes and problem areas, and identified options for resolving problems. Options considered including in-house re-engineering, obtaining outside services (from tribes, government agencies, and commercial



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entities), consolidating functions, acquiring off-the-shelf software, and revising policies and procedures. The team's report could help form the basis for comprehensive system enhancement.

In accordance with the American Indian Trust Fund Management Reform Act of 1994, the Special Trustee for American Indians was appointed last year. In September 1995, the Senate confirmed the appointment of the Special Trustee, who reports directly to the Secretary of the Interior. The Office of Special Trustee will oversee and coordinate trust fund management reforms. A comprehensive strategic plan for all phases of the trust management business cycle is required by the Act.

Action Items - The Special Trustee has identified initiatives or principles designed to rectify various problems and bring trust accounting and management systems up to commercial standards within 3 years. Subject to resource availability, systems will be acquired, automated, updated, integrated, coordinated, and/or consolidated. Systems under consideration include: a trust resource/asset management delivery system (including asset leasing, contracting, lending, buying, and selling); an accounts receivable and billing system; a trust, depository, payments and delivery system for IIM accounts; a land records and title recordation and certification system; a general ledger and accounting system; and a risk management and control system (to provide for audit and review). Also, various changes that would not require systems solutions (e.g., centralizing particular functions) are also under consideration.