



# FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

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## EXECUTIVE SUMMARY

The American people have 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.

Today, the Department's mission is to encourage and provide for the appropriate management, preservation, and operation of the Nation's public lands and natural resources for use and enjoyment both now and in the future; to develop and use resources in an environmentally sound manner and provide an equitable return on these resources to the American taxpayer; to carry out related scientific research and investigations in support of these objectives; and, to carry out trust responsibilities of the U.S. Government with respect to American Indians and Alaskan Natives.

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, re-engineering, and customer service. These efforts support the Chief Financial Officers (CFO) Act of 1990, Government Performance and Results Act (GPRA) of 1993, the Government Management Reform Act (GMRA) of 1994, and the Federal Acquisition Streamlining Act of 1994.

The Department's 1996 Financial Management Status Report and Strategic Plan is consistent with

the priorities identified by the Government-wide CFO Council. The plan summarizes how far the Department has come in implementing the CFO Act and describes the strategies for the Department over the next 5 years to further improve financial management and to build the necessary partnership between finance and program managers to carry out the mission of the Department of the Interior

The Assistant Secretary for Policy, Management and Budget is the CFO for the Department. The responsibilities of the CFO include: providing detailed and objective advice on program planning, budget, and policy matters; overseeing compliance with environmental statutes and standards; developing and maintaining internal administrative policy, standards, objectives, and procedures for use throughout the Department; overseeing the administrative appeals process; and, undertaking special analytical and administrative support services for the Office of the Secretary.

Since the passage of the CFO Act, the Department has developed and implemented a sound CFO organization structure that is capable of successfully meeting current and future challenges in Federal financial management. The Department, like other Federal agencies, is at an important crossroads, with unrelenting pressure to do more with less. The decade of the 1990's is proving to be one of the most challenging, dynamic periods ever experienced by Federal managers. The challenge facing all CFO's is to rethink the way we conduct the government's business; provide the necessary leadership to efficiently manage resources; provide timely and accurate financial information for stakeholders and program managers; and restore the public's faith in government.



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To meet this formidable challenge, the Department has developed an aggressive agenda for streamlining, reducing the cost of operations, improving financial systems, improving financial reporting and accountability, enhancing the quality of financial services to customers, and re-engineering financial and program practices and processes. 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 continuing its efforts to make significant 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 National Performance Review (NPR) and GPRA.

The Department is proud of its accomplishments to date, many of which are highlighted within this report. In addition, the Department has a number of initiatives underway, or which will soon commence, that employ new and contemporary approaches to effective resource planning and utilization, and delivery of essential financial services to customers in a cost-effective manner. These initiatives should improve the efficiency and effectiveness of financial systems and accounting processes, and empower, motivate and better support our financial management workforce.

## **Department Successes in Implementing the Chief Financial Officers Act**

Since the inception of the CFO Act, the Department has made significant progress in improving financial management. Some of the more

significant achievements are summarized below:

***Developed a highly effective CFO organizational structure*** by appointing a highly qualified and experienced Departmental CFO and DCFO, and appointing CFOs and DCFOs in all bureaus; establishing an Interior CFO Council to address emerging financial management issues; and establishing the Finance Officers Partnership to develop and implement management action plans to provide high quality, cost-effective financial information and services, and continually improve financial management within the Department.

***Provided Accounting Utility Services*** to bureaus of the Department and similar services to non-Interior customers.

***Benchmarked Financial Management Functions*** in 1993 as part of a "Financial Management Best Practices Project" to systematically identify accounting and financial processes and procedures that could be standardized, improved, or eliminated to improve customer service and reduce cost. Currently, the Department is participating in a benchmarking process sponsored by the American Institute of Certified Public Accountants (AICPA) to update the best practices study conducted in 1993.

***Improved Business Practices*** by strengthening asset and debt management programs; increasing electronic fund transfers; increasing the use of debt offset programs; improving policy and procedure communications to the Department's geographically dispersed workforce through an Internet home page; and initiating a Departmental Travel Reengineering Laboratory.



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***Streamlined the Management Control Processes*** by reducing the reporting burdens of the management control program following recommendations in the NPR; and initiating a Departmental Management Control Re-engineering Laboratory to identify a new, innovative, less resource intensive approach to fulfilling the requirements and intent of the revision to OMB Circular A-123, Management Accountability and Control.

***Improved Financial Management Systems*** by successfully implementing a single, integrated core accounting system in 8 of the Department's bureaus (incorporating over 95 percent of all accounting transactions); acquiring an off-the-shelf procurement system, and implemented the system at approximately 85 purchasing sites; nearing completion of the development of a fully integrated, modern personnel/payroll system with implementation scheduled for completion in the first quarter of FY 1997; and establishing the IDEAS Software Advisory Board (SAB) to coordinate software activities associated with the acquisition system.

***Improved Financial Management Reporting*** by preparing and auditing annual financial statements for all bureaus for FY 1995 (receiving 10 unqualified and 2 qualified audit opinions) and a consolidated financial statements for FY 1995 (receiving a qualified audit opinion); and establishing preliminary program and financial performance measures in all bureaus in conjunction with OMB staff linked to preliminary strategic plans in bureaus.

***Improved Communication about Financial Policies and Services*** by preparing a Departmental Accounting Manual to replace existing bureau accounting manuals and distributed it to bureaus in

January 1995; and establishing a home page on the Internet for the Office of Financial Management providing policy directives, semi-annual and annual reports, training courses, and current Reinvention efforts to internal and external interested parties.

***Established a Data Stewardship Function*** by establishing a multi-year data integrity improvement program which is intended to ensure that financial information conforms to the highest possible standards of consistency and verifiability in the foreseeable future; and establishing a Standard Accounting Classification Advisory Team (SACAT) to coordinate activities related to standardization of Departmental financial classifications.

***Established Collaborative Working Relationships*** by building strong working relationships through the Interior CFO Council to advise and assist the Departmental CFO in establishing and carrying out effective Department-wide financial management policies and management controls; the Finance Officers Partnership 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 at the bureau level; the SAB to provide analytical and technical support to the FOP in the areas of FFS software design, development, and implementation; the SACAT to establish and maintain a common approach among the bureaus for addressing accounting classification issues.

## **Strategy For The Future**

While we are proud of our successes to date, much



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more remains to be done. This plan outlines an aggressive agenda for the future improvement of financial management within the Department. The Department continues to pursue an aggressive agenda to implement significant improvements in all aspects of financial management in support of the CFO Act.

provides financial management leadership in support of the Department of the Interior's missions.

The Department's focus and priorities to improve financial management over the next 5 years include:

- Improving and upgrading financial systems and making effective use of emerging technology.
- Improving financial management reporting and GPRA.
- Improving management accountability and control.
- Modernizing payment and business practices.
- Improving financial data stewardship.
- Strengthening financial management human resources.
- Expanding franchising opportunities.

The Department recognizes that budgetary funding 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. However, we believe that the plan established for the Department focuses on the importing areas needed to ensure integrity in our operations and