

Financial Management Status Report and Strategic Plan *FY 2002 - FY 2006*



September 2001





United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

SEP 10 2001

Honorable Mitchell Daniels
Director, Office of Management and Budget
Old Executive Office Building, Room 349
Washington, D.C. 20503

Dear Mr. Daniels:

I am pleased to submit the Department of the Interior's 2001 Financial Management Status Report and Strategic Plan as required by OMB Circular A-11. This plan summarizes the significant accomplishments achieved in fiscal 2001 and outlines the Department's agenda for continuing the improvement of financial management over the next five years.

Over the past few years, the Department has significantly improved accountability and financial management. While we are pleased with our recent progress, we are very cognizant of the need to further enhance and improve our operations and program performance. The following three themes will guide our improvement efforts over the next several years:

Service Excellence: Whether our financial management services are directed to Interior bureaus, other Federal agencies, state or local governments, or the general public, we will seek new ways to improve the service we render to the American people as we fulfill our mission.

Accountability: We will continue to examine how well we are managing our resources-both financial and human-in order to determine if we are effectively achieving our goals, providing quality services, producing useful information that is easily accessible by the public, and adhering to the highest standards of conduct.

Cooperation: The Department has many missions, goals, functions and activities, as well as a number of management challenges that transcend organizational boundaries. The Department is supported by the many highly skilled, talented, and dedicated employees that comprise our workforce. Together we will explore opportunities to better coordinate, cooperate, and communicate as we solve common challenges and fulfill the Department's mission.

I look forward to working with you and members of your staff on the financial plans presented in this report.

Sincerely,

P. Lynn Scarlett
Assistant Secretary Policy, Management and Budget and
Chief Financial Officer

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CHAPTER 1. OVERVIEW

Interior's Mission

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

The American people have had a long-term investment in the resources managed by the Department of the Interior (DOI). 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.

Interior's Mission

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 and our commitments to island communities. 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.

The Department strives to ensure that the funding the American people provide is used as efficiently and productively as possible. To that end, the Department has focused on three areas: (1) streamlining and re-engineering; (2) improving accountability; and (3) customer service. Over the years, the Department has been a leader in various initiatives to improve the federal government by implementing the recommendations of the National Partnership for Reinventing Government, reducing our workforce in response to the Federal Workforce Restructuring Act of 1994, and taking steps to improve support to 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 Act of 1990 (CFO Act), the Government Performance and Results Act of 1993 (GPRA), the Government Management Reform Act of 1994 (GMRA), the Federal Acquisition Streamlining Act of 1994, the Information Technology Management Reform Act of 1996 (ITMRA), the Debt Collection Improvement Act of 1996 (DCIA), and the Federal Financial Management Improvement Act of 1996 (FFMIA).

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 is also the Department's CFO. The Department CFO provides leadership in 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

Interior recognizes that to improve financial management and effectively re-engineer and streamline financial management activities and processes, it is imperative that collaborative working relationships be established between program and financial managers. To that end, Interior has historically maintained a strong collaborative working relationship through the Interior CFO Council, the Interior Management Council (IMC), the Finance Officers' Partnership (FOP), other collaborative Interior committees, and re-engineering laboratories sponsored by the Department that have historically supported financial management improvements and administrative streamlining efforts.

The Secretary has set in motion several reforms that will help to ensure integrated planning, leadership, and assessment of the Department's programs:

Effective Leadership and Management Oversight: The Department has established a Management Excellence Council, which is chaired by the Secretary and includes the Deputy Secretary, Assistant Secretaries, and bureau heads. The Council will provide leadership, direction, and accountability to implement the Administration's goals and provide overall direction and oversight of the Department's management reform activities. To support the Management Excellence Council, a set of senior-level teams have been established that are linked to the five governmentwide initiatives. These cross-departmental teams, which are chaired by the Assistant Secretary for Policy, Management and Budget, her Deputies, or the Chief Information Officer, will ensure that all departmental management reform efforts are collaborative and coordinated. *Exhibit 1-1* illustrates the Department's new management oversight structure.

Administrative Partnerships: In addition, the Department has also established a number of partnerships to improve coordination within its administrative communities. These include:

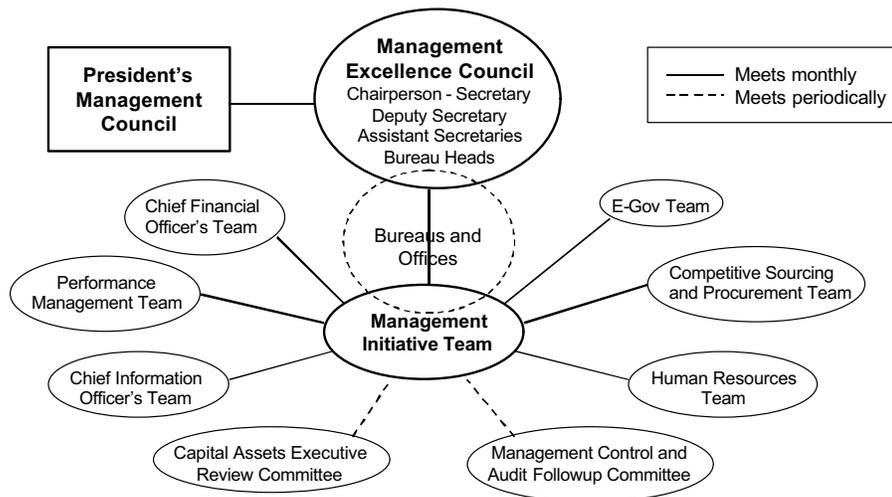
- *Finance Officers' Partnership (FOP):* The FOP was established to enable the Department to work better and cost less through the collaborative planning, development, and implementation of improved financial management policies and practices (see Appendix B for a description of the FOP). The FOP has established subcommittees or working groups to focus on important financial management issues that confront the Department, including:

Exhibit 1-1

Organizing for Management Excellence at the Department of the Interior

Initiatives the Management Excellence Council will pursue include the President's five management goals to accomplish the Department's goal of Managing for Excellence and Accountability:

1. Integrating budget and performance
2. Managing human capital
3. Utilizing competitive sourcing
4. Improving financial accountability
5. Expanding electronic government



- *Software Advisory Board (SAB)* 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)* 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.

- *Financial Statements Guidance Team (FSGT)* to coordinate bureau and Departmental preparation of financial statements.

- *Operations Accounting Group (OAG)* to coordinate efforts of bureau finance offices and the Department to improve the effectiveness and efficiency of financial management procedures and practices.

- *Budget Execution Reporting Working Group (BERWG)* to coordinate and improve budget execution processes and reporting practices.

- *Cost Accounting Work Group (CAWG)* to facilitate implementation of FASAB Standard No. 4, Managerial Cost Accounting.

- *Accounting for Eliminations Team (AET)* to address issues related to financial statement treatment of interbureau transactions.

- *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 property 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.
- *Interior Federal Assistance Working Group (IFAWG)*: The IFAWG was established to provide a focal point for coordinated federal assistance activities of Interior bureaus and offices. The IFAWG provides an opportunity for representatives from bureaus and offices to provide input into the formulation and implementation of federal assistance policies.

Financial Management Vision and Goals

The Department has adopted the following updated financial management vision based on a vision statements established in 1998 by the Office of Management and Budget (OMB) and the governmentwide CFO Council.

Interior's Financial Management Vision Statement

“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.”

The framework and strategic direction for financial management improvements in the federal government is established through the President’s Management Agenda (FY 2002) and the Office of Management and Budget and CFO Council Federal Financial Management Report 2000 goals (see summary on the following page).

In the President’s Management Agenda, the Administration has established five governmentwide goals for improving federal management and delivering results that matter to the American people. These goals are: (1) strategic management of human capital; (2) competitive sourcing; (3) improved financial performance; (4) expanded electronic government; and (5) budget and performance integration.

The President’s vision for government reform is also guided by three principles. Government should be: (1) citizen-centered, not bureaucracy-centered; (2) results-oriented; and (3) market-based, actively promoting rather than stifling innovation through competition.

The governmentwide management goals and principles have been considered in establishing the Department's Financial Management Plan and addressed directly where appropriate. The Department believes that Interior's Financial Management Vision, which provides the framework for many of the initiatives in the Department's Financial Management Plan, is

**OMB and CFO Council
Federal Financial Management Report 2000
Major Goals**

1. Improving Financial Accountability

Goal: Develop useful, reliable, and timely financial and performance information by:

- a. Ensuring sound accounting standards that provide the basis for federal financial statements and consistent, reliable financial information;
- b. Preparing annual financial statements and obtaining "clean" unqualified audit opinions for CFO Act agencies; and
- c. Issuing timely, useful, and reliable financial management reports.

2. Improving Financial Performance

Goal: Improve the financial performance of the federal government by:

- a. Developing financial management systems that provide timely, usable, and reliable financial information to increase accountability and improve program management;
- b. Streamlining financial transactions using best business practices;
- c. Offering common administrative services to achieve efficiencies and reduce cost; and
- d. Maintaining a secure systems environment.

3. Investing in Human Capital

Goal: Develop and maintain a high quality federal financial management workforce by:

- a. Assisting agencies in recruiting and retaining qualified financial management personnel; and
- b. Promoting effective financial management education and training within the federal government.

4. Managing Obligations to the Federal Government

Goal: Improve credit management and collection of obligations to the federal government by:

- a. Continuing to improve debt collection practices;
- b. Streamlining portfolio management through asset sales; and
- c. Maximizing the use of the Internet for credit and debt management programs.

5. Improving Administration of Federal Grant Programs

Goal: Provide better management of the over \$300 billion in grants awarded annually to our inter-governmental and non-profit partners by:

- a. Improving the framework of grant policy;
- b. Simplifying federal programs' administrative requirements;
- c. Exploring electronic processing options;
- d. Streamlining the delivery of payments; and
- e. Furthering audit and oversight policy.

consistent with the governmentwide goals and principles.

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

- Improving financial management information;
- Improving financial management systems;
- Implementing the GPRA;
- Ensuring management accountability and control;
- Developing financial human resources;
- Improving asset and debt management;
- Modernizing payments and business methods;
- Providing financial data stewardship; and
- Improving the administration of federal grants programs.

The departmental initiatives in support of these priorities are described in the chapters and appendices that comprise this report.

The Department, like many other federal agencies, has expended considerable effort and resources in recent years in rethinking the way it conducts business. The Department is providing the necessary leadership to continue to improve the effective and efficient use of its resources; providing timely and accurate financial information for stakeholders and program managers; and becoming more responsive to citizens' needs. Interior intends to continue these efforts.

Within this framework, the Office of Financial Management (PFM) has lead responsibility for improving financial management in the Department. In this role, PFM assists the Department to achieve these goals by:

- Providing leadership to promote the efficient management of Interior resources and assets;
- Providing quality financial advice and services to customers based on needs;
- Providing high quality financial information on Interior operations which fully support financial and performance reporting;
- Enhancing the framework that provides sound financial policies and services and facilitates effective communication;
- Maintaining a management accountability and control environment to ensure the integrity of Interior's operations; and
- Expanding 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 FY 2002 and beyond are contingent on obtaining necessary resources. However, we believe that the plan established for Interior focuses on improving the areas necessary to ensure integrity in the Department's operations and provides financial management leadership in support of Interior's mission.

Financial and Performance Management

The Department has established three primary strategic goals for the financial management program. These goals are: (1) ensure integrity in management functions; (2) provide efficient financial management operations; and (3) improve financial and performance reporting.

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

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

Performance Measure - Audit Opinions

Interior places a high priority on preparing reliable financial information. Accordingly, the Department publishes annual financial statements for the Department and each of the bureaus. 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 the Office of Management and Budget, Congress, and the public of the integrity of the Department's external reporting.

Each year, the financial statement auditors issue (1) an opinion on the financial statements; (2) a report on internal controls; and (3) a report on compliance with laws and regulations including FFMIA. Auditors classify financial statement opinions in one of three categories: disclaimer, qualified, or unqualified (clean).

Performance Goal: The Department's goal is to achieve and maintain (1) unqualified audit opinions on the financial statements included in the Department's Annual Accountability Report as well as all financial statements prepared by Interior bureaus; (2) no material weaknesses in the report on internal controls; and (3) no disclosed instances of noncompliance in the report on compliance with laws and regulations.

Performance Objectives: By the end of the current fiscal year and every year thereafter, obtain unqualified (clean) audit opinions on 100 percent of annual financial statements including all eight bureaus, the Departmental Offices, and the Department's consolidated statements. By the end of FY 2005, obtain clean opinions on the Internal Control and Compliance with Laws and Regulations opinions for all eight bureaus, the Departmental Offices, and the Department.

In FY 2000, the Department and seven bureaus received unqualified audit opinions. The financial statements for the Fish and Wildlife Service received a qualified audit opinion. The Office of Inspector General did not issue an opinion on the Minerals Management Service appropriated funds, although they did issue an unqualified audit opinion on Royalty Activity. The FY 2001 audit results are expected by March, 2002. FY 2001 reports will be published for all bureaus.

Audit Opinions

	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Plan	FY 04 Plan
Unqualified opinions on financial statements	8 of 10	10 of 10	N/A	10 of 10	10 of 10	10 of 10
No exceptions in report on internal controls (departmentwide)	11	10	N/A	6	4	3
No exceptions in compliance with laws and regulations (departmentwide)	5	5	N/A	3	2	0

Performance Measure - Timely Correction of Material Weaknesses and Implementation of Audit Recommendations

A number of material weaknesses have been identified in annual management control self-assessments of bureau and office programs, organizations and functions, and annual financial statement audits. Corrective Action Plans (CAPs) are developed and implemented by the bureaus and offices, and the Department periodically monitors corrective action progress to ensure the CAPs are completed by the original targeted completion date. In addition, audit recommendations reported by the OIG and U.S. General Accounting Office (GAO), and those reported by professional audit firms in single audits, are also periodically monitored to ensure implementation occurs in a timely manner.

Performance Goal: The Department's goal is to implement 75 percent of the audit recommendations reported in the OIG program, operational and financial statement audits, single audits and GAO audits within one year of the date of referral to the Department for tracking of implementation. The Department also strives to complete 75 percent of the CAPs for material weaknesses disclosed in bureau and office management control self-assessments by the original planned targeted completion date.

Performance Objectives: By the end of FY 2006, the Department intends to complete 95 percent of all material weaknesses CAPs by their original target date (compared to 83 percent actual expected to be achieved by the end of FY 2001). Additionally, the Department plans to implement 95 percent of all OIG and GAO audit recommendations within one year of referral (compared to 78 percent actual expected to be achieved by the end of FY 2001.)

The Department's FY 2001 objective with respect to audit recommendations is to implement within one year of referral for tracking of implementation 75 percent of the audit recommendations reported in OIG program, operational and financial statement audits, single audits, and GAO audits. Based on actual progress to date, and that expected by the end of FY 2001, this objective is expected to be accomplished. A 78 percent rate is projected to be achieved. The Department's FY 2001 objective with respect to material weaknesses was to complete CAPs for 75 percent of the pending material weaknesses carried over from FY 2000 with original targeted completion date in FY 2001. Based on actual progress to date, and that expected by the end of FY 2001, this objective is also expected to be accomplished. An overall CAP completion rate of 83 percent rate is expected to be achieved. Four of the five (80 percent) CAPS targeted for completion in FY 2001 have been or are expected to be completed by the end of FY 2001. In addition, one CAP with a targeted completion date in FY 2002, is expected to be completed by the end of FY 2001, one year ahead of schedule. As a result, five out of a possible six (83 percent) CAPS are expected to be completed by the end of FY 2001. The one material weakness CAP originally scheduled for completion in FY 2001, slipped due to the need to expand the scope of the original CAP to achieve the desired program outcomes.

Completion of Material Weakness CAPs and Implementation of Audit Recommendations

	FY 00 Actual	FY 01 Plan	FY 01 Actual (estimated)	FY 02 Plan	FY 03 Plan	FY 04 Plan
Implementation of audit recommendations	77%	75%	78%	75%	80%	85%
Completion of material weakness CAPs	33%	75%	83%	75%	80%	85%

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

Performance Measure - Prompt Pay

The Prompt Payment Act requires that payments be made within 30 days of receipt of invoice; otherwise, the federal government is required to pay interest. Performance is measured by the number of payments without interest penalties to the total number of payments subject to the Prompt Payment Act. Over the past several years, the number of payments subject to the Prompt Payment Act has shown a steady decline. This decrease is primarily attributable to the Department's increased use of the governmentwide purchase charge card.

Performance Goal: The Department's goal is to pay 97 percent of its invoices without late payment interest penalties.

Performance Objective: By the end of the current fiscal year and every year thereafter, each bureau will maintain a percentage of 97 percent or better for payments not requiring interest penalties.

As of June 30, 2001, Interior's percentage of payments not requiring interest penalties increased from 97.4 percent to 98 percent. The Department expects this improvement to continue as a result of using new technologies and best practices.

Prompt Pay

	FY 00 Actual	FY 01 Plan	FY 01 Actual (6/30/01)	FY 02 Plan	FY 03 Plan	FY 04 Plan
Percent of payments not requiring interest penalties	97.4%	97%	98%	97%	97%	97%

Performance Measure - Use of Electronic Funds Transfer (EFT)

The Debt Collection Improvement Act of 1996 (DCIA) requires that all payments be made by EFT unless covered by waiver.

Performance Goal: The Department's goal is to use EFT, including charge cards, to the maximum extent possible except for those payments covered by waiver.

Performance Objective: By the end of the current fiscal year, the Department will process 98 percent of salary payments, 80 percent of vendor payments, 92 percent of miscellaneous payments by EFT, and 91 percent of purchases of \$25,000 or less via a charge card.

To achieve the stated objectives, the Department has increased the use of the governmentwide purchase charge card, minimized the use of imprest funds and third party drafts, and required new vendors and employees to enroll for EFT payments. Also, the Department is investigating the use of the Central Contractor Registry to facilitate vendor enrollment for EFT.

Electronic Funds Transfers

	FY 00 Actual	FY 01 Plan	FY 01 Actual (6/30/01)	FY 02 Plan	FY 03 Plan	FY 04 Plan
Salary	98%	98%	98%	98%	98%	98%
Vendor	76.5%	80%	82.4%	80%	80%	80%
Miscellaneous	91.6%	92%	92.7%	92%	92%	92%
Charge Card	94%	91%	94.4%	93%	94%	95%

Performance Measure - Referral of Eligible Debt

The Debt Collection Improvement Act of 1996 requires agencies to refer eligible 180-day delinquent debt to the Department of the Treasury for cross-servicing and, if necessary, offset action.

Performance Goal: Refer all eligible 180-day delinquent debt to the Department of the Treasury in compliance with the DCIA.

Performance Objective: By the end of the current fiscal year, achieve a 90 percent referral rate. The Bureau of Indian Affairs is nearing completion of an intensive effort to improve payment performance of debts related to irrigation services that total approximately \$15 million. This effort, when completed, will greatly improve the percentage of referral of eligible debt to Treasury's Financial Management Service.

Referral of Eligible Debt

	FY 00 Actual	FY 01 Plan	FY 01 Actual (6/30/01)	FY 02 Plan	FY 03 Plan	FY 04 Plan
Percent of eligible debt referred to Treasury *	90%	90%	83%	92%	93%	94%

* Eligible debt excludes amounts in litigation and amounts currently being considered by agency for compromise.

Performance Measure - Reduce SmartPay Program Employee Delinquent Accounts

In acknowledgment of the need to improve the Department's performance in the area of 60 days and over delinquent charge card accounts, Interior has created a departmentwide goal to reduce the delinquencies to one percent, exclusive of former employees.

Performance Goal: The Department's goal is to reduce the amount of 60 days and older delinquent charge card accounts to below the commercial level of the total outstanding balance, exclusive of former employees.

Performance Objective: By the end of the current fiscal year, achieve a level of SmartPay Program 60 days or older delinquent charge card accounts of two percent of the total outstanding balance and a level of one percent for each year thereafter.

SmartPay Delinquent Accounts

	FY 00 Actual	FY 01 Plan	FY 01 Actual (7/19/01)	FY 02 Plan	FY 03 Plan	FY 04 Plan
Percent of SmartPay Program Employee Delinquent Accounts (60 days or older)	3.1%	2.0%	5.1%	1.0%	1.0%	1.0%

Performance Measure - Reduce Erroneous Payments

OMB Circular A-11 defines “erroneous payments” as payments made under the programs listed under Exhibit 57 of Circular A-11 that should not have been made or were made for an incorrect amount. Although the Department does not have any programs identified in Exhibit 57, Interior makes financial assistance payments under a variety of programs and to vendors for goods and services. In order to better assess the Department’s performance in the area of erroneous payments, Interior has established a goal associated with payments made to external parties associated with Interior’s financial assistance programs and to establish pre-audit and post-audit programs related to employee or vendor payments to better monitor these activities.

Performance Goal: The Department’s goal is to have no erroneous payments.

Performance Objective: The annual target will be to maintain adequate controls over Federal Assistance payment processes to ensure any erroneous payments are kept below .05 percent of the program as measured by audit disallowances and 60 percent of the disallowances are returned to the government. Further, the Department will expand pre-audit and post-audit programs by establishing additional programs to cover employee and vendor payments.

Erroneous Payments

	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Plan	FY 04 Plan
Federal Assistance – Percent of Audit Disallowances	N/A	N/A	N/A	TBD*	TBD*	TBD*
Federal Assistance – Percent of Disallowances Returned to Government	N/A	N/A	N/A	TBD*	TBD*	TBD*
Number of Pre-Audit Programs	N/A	N/A	N/A	1	2	2
Number of Post-Audit Programs	N/A	N/A	N/A	0	1	2

* To be determined

Strategic 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.*

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 supporting management decisions. Combining cost data with performance data further enhances the reporting of information to managers.

Performance Goal: The Department's objective is to increase the reporting of performance information in Interior's Accountability Report and in bureau-level reports, improve the reporting of cost information in the Accountability Report, and increase cost information related to GPRA goals.

Performance Objective: By the end of the current fiscal year and each year thereafter, report 100 percent of the high-level annual performance measures in the Accountability Report, report costs for 100 percent of GPRA program activities, and report costs for bureau goals as part of the GPRA annual performance plan beginning at 20 percent and increasing to 100 percent by FY 2006.

Combining Financial Statements with Performance Data

	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Plan	FY 04 Plan
Ratio of selected, high-level annual performance measures reported in the DOI Annual Accountability Report	100%	100%	N/A	100%	100%	100%
Percent of GPRA Program Activities reporting cost measures in the Accountability Report	100%	100%	N/A	100%	100%	100%
Percent of bureau annual performance goals capturing actual costs	N/A	20%	N/A	40%	60%	60%

Performance Measure - Interim financial statements and performance reports

The Department strives to prepare interim financial statements for all bureaus and the Department and improve the availability of financial and budget information to Interior management.

Performance Goal: The Department's goal is to produce two interim financial statements and one interim report on performance data during the year.

Performance Objective: By the end of the current fiscal year and each year thereafter, produce interim financial statements, including the Statement of Budgetary Resources, for each bureau and the Department using the Consolidated Financial Statement application.

Interim Financial Statements with Performance Reports

	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Plan	FY 04 Plan
Number of interim financial statements	1	2	2	3	4	4
Number of interim reports on performance data	1	1	0	1	1	1

Improving Electronic Communication

The Office of Financial Management (PFM) has embraced the Internet as an efficient and cost-effective means to electronically publish and disseminate critical financial management information to customers. PFM's Web site at <http://www.doi.gov/pfm> has been accessible to federal and public visitors since March 1996.

The development of the Web site (see *Exhibit 1-2*) and use of Internet-based tools demonstrates PFM's commitment to use information technology to streamline financial services.

The Office of Financial Management home page is one of the more frequently visited administrative/policy Web sites in the Department of the Interior. On average, there are approximately 30,000 weekly hits to the PFM site. Currently, the Web site comprises approximately 3,000 files and includes the following information:

- Office of Financial Management Organization and Staff Directory
- Financial Administration and Financial Statement Guidance Memoranda
- Departmental Reports
- Bureau Reports
- Departmental Financial Statements
- Management Accountability and Control
- Travel Information
- Financial Management Training Courses and Events
- Other Resources
- Links to Other Financial Management Web Sites

Exhibit 1-2



In addition to administering an external Web site, the Office of Financial Management also maintains an intranet for the exclusive use and benefit of PFM staff. The PFM intranet allows staff to easily access key information such as internal financial management databases, miscellaneous reports, and leave and training schedules.

FY 2001 Accomplishments

- Created an intranet for Office of Financial Management staff.
- Initiated the revision of Web pages that do not meet Section 508 compliance standards.
- Created a Web site that electronically registered approximately 200 people for the FY 2001 Budget and Finance Seminar.
- Created a Travel Newsletter Web site.
- Initiated testing of an electronic, Web-based Financial Management Systems Compliance Review.
- Published the Department's FY 2000 Annual Accountability Report.
- Published the Department's FY 2001 - FY 2005 Financial Management Status Report and Strategic Plan.
- Published other financial management documents as required (e.g., training, travel, policy documents, management accountability and control, financial statements, relocation).

Planned Actions

- Publish the Department's FY 2001 Accountability Report.
- Publish the Department's FY 2002 - FY 2006 Financial Management Status Report and Strategic Plan.
- Complete the electronic, Web-based Financial Management Systems Compliance Review.
- Modify Web pages, as required, to ensure compliance with Section 508 standards.
- Enhance the PFM intranet.
- Publish other key financial documents to the Office of Financial Management Web site.
- Work closely with FinanceNet to improve the delivery of government services by reducing sales and information distribution costs. As a member of FinanceNet's Technical Working Group, PFM works in partnership with other federal financial management offices to facilitate access to government information.
- Expand the use of electronic technology to reduce/eliminate paper drive inputs/outputs.

Benchmarking of Financial Management Functions and Operations

The Department feels strongly that it needs to continually evaluate how well it is doing compared to its peers in government and industry. To assess its performance over the years, the Department uses benchmarking, which is the comparison of similar processes across organizations, companies, and industries to identify best practices.

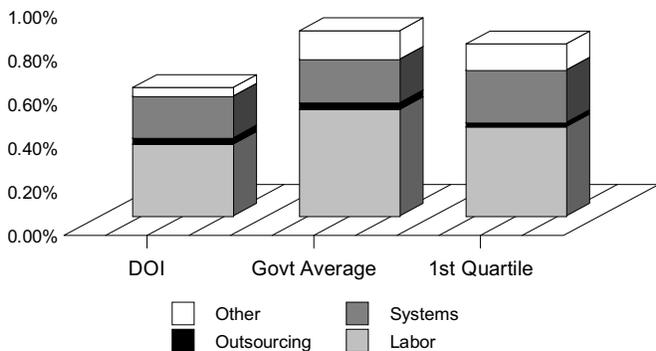
The Department completed benchmarking studies in 1996, 1997, and 1998 using a methodology developed by the Hackett Group. The Hackett Group specializes in business re-engineering to provide technical expertise and a database application with detailed process definitions that were developed specifically 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 benchmarking study covered over 20 finance processes.

In 1998, the most recent year for benchmarking, the Department participated in a government-sponsored benchmarking study conducted by The Hackett Group for 11 federal and state agencies. The agencies were 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 database, although not as good as those in the first quartile (i.e., the top performers). The results are summarized in *Exhibits 1-3 and 1-4*. *Exhibit 1-5* presents some of the more significant results of the government study and comparative results for the Department.

Exhibit 1-3

Exhibit 1-4

Finance Cost as Percent of Revenue



Finance Staff Time Allocation

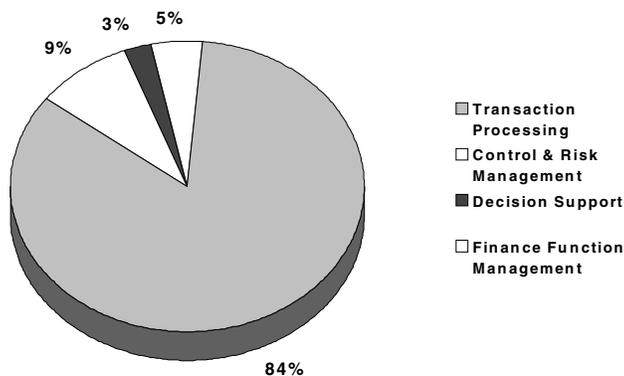


Exhibit 1-5

Government Study Results	Department of the Interior Results
On average, each agency in the study spent \$56.4 million annually on finance	DOI spends \$67.6 million annually on selected finance functions
Finance cost represents 0.85 percent of revenue	Finance cost represents 0.6 percent of revenue
Finance staff is equivalent to 101 FTEs per \$1 billion of revenue	Finance staff is equivalent to 70 FTEs per \$1 billion of revenue
Finance staff spend 79 percent of their time on transaction processing	Finance staff spend 84 percent of their time on transaction processing
The government's finance cost is higher than the first quartile	DOI finance cost is lower than the first quartile
The government's FTEs per \$1 billion are higher than the first quartile	DOI's FTEs per \$1 billion is within the first quartile
Overall core processes are lower than first quartile	Overall core processes are comparable to the first quartile

Based on the latest financial benchmarking study, the Department is focusing efforts in two areas:

- Reducing transaction processing costs; and
- Increasing analyst support to finance and program managers, comparable to the amount of support provided in commercial organizations.

These strategies are reflected in the initiatives identified in this plan.

CHAPTER 2. IMPROVING FINANCIAL ACCOUNTABILITY

GOAL: *Prepare timely, unqualified bureau and consolidated financial statements and make financial management information accessible throughout the year.*

The Department is committed to preparing and publishing complete, concise, understandable, and meaningful information about the financial and operating performance of the Department and the individual bureaus, offices, and programs that comprise the Department. The Chief Financial Officers' Act (CFO Act), as amended by the Government Management Reform Act (GMRA), requires agencies to prepare and publish annual agencywide financial statements.

The Department's financial reporting goals are to achieve and maintain unqualified audit opinions for departmental and bureau financial statements, to strengthen financial controls, and to ensure that financial data produced for management decisionmaking is reliable, verifiable, and consistent with the annual audited financial statements.

In FY 1996, the Department prepared its first Accountability Report under a pilot program established by the Office of Management and Budget under the Government Management Reform Act. The Department's Accountability Report provides readers with consolidated financial statement data and information on operating performance and management integrity that demonstrates Interior's stewardship over the assets, missions, and responsibilities entrusted to it. The report integrates the multiple financial management and performance measurement requirements of the CFO Act, the Government Performance and Results Act (GPRA), the GMRA, and the Federal Managers' Financial Integrity Act (FMFIA) into a comprehensive process.

The Department continues to prepare an Accountability Report on an annual basis, revising and expanding the content of the report as necessary to adapt to changing requirements and to meet the needs of interested parties. The Department's financial reporting strategy also includes the preparation of bureau annual reports and financial statements. The Department believes that there are significant and long-term benefits of bureauwide statements, including verification of the financial and cost accounting data used by management; presentation of a clear and concise summary of bureau operations, accomplishments and concerns; and identification and correction of operating weaknesses such as inventory management and collection of accounts receivable by working capital funds.

Improving Financial Management Reporting

The Department's goal is to prepare timely, unqualified bureau and consolidated financial statements and to make financial management information accessible throughout the year.

Key laws such as the Chief Financial Officers Act, the Government Management Reform Act, the Government Performance and Results Act, the Debt Collection Improvement Act, and the Federal Financial Management Improvement Act have established new standards and high expectations for government operations. In response to these new laws and other initiatives, such as the implementation of Federal Accounting Standards Advisory Board (FASAB) pronouncements, the Department continues to reshape the way it conducts business. To comply with the new standards and to meet these high expectations, timely and reliable financial and performance information will permit stakeholders and decisionmakers to track progress and evaluate the results of Interior's programs.

In order to achieve the goal of unqualified (clean) audit opinions and maintain this level of achievement, the Department will continue to improve the quality of the financial data and related information available at year-end for annual financial reporting purposes. The following initiatives will be taken:

- Increase analyses of interim data, including preparation of quarterly financial statements, to assist in the review of financial information and ensure accurate financial data throughout the year; and
- Improve technical tools, including the enhancement of departmentwide financial data consolidation software, to ensure that the same data is used for bureau financial reports, consolidated Department reports, and FACTS I and FACTS II reporting to Treasury.

The benefits of financial statement audits and, in particular, obtaining unqualified opinions are twofold: (1) providing quality data to external parties; and (2) ensuring that the books and records used by management can withstand the rigors of the audit process. Unqualified opinions provide independent assurance to external users that the information provided is reliable. Moreover, the discipline required to produce annual financial statements and audits demand that appropriate management attention and oversight is directed to the maintenance of high quality agency financial management and compliance with applicable laws and regulations.

Financial statement audit results are summarized in *Exhibit 2-1*.

FY 2001 Accomplishments

During FY 2001, the Department continued to improve the reporting of financial information. Significant accomplishments include the following:

- *Preparation of the Department's fifth Accountability Report under an OMB-sponsored pilot program:* The FY 2000 Accountability Report included audited consolidated financial statements for the Department, which for a fourth year in a row, received an unqualified audit opinion. This report included enhanced segment and program information that linked financial and GPRA performance information.

Exhibit 2-1

**Department of the Interior
Financial Statement Audit Results
FY 1992 to FY 2000**

	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Departmental Consolidated	N/A	N/A	F/S prepared but not audited	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified
Fish and Wildlife Service	Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Qualified
U.S. Geological Survey	Disclaimer	Disclaimer	Disclaimer	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Bureau of Indian Affairs	Disclaimer	Disclaimer	Disclaimer	Qualified	Qualified	Qualified	Qualified	Unqualified	Unqualified
Bureau of Land Management	Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Minerals Mgmt Service	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	No Statements Prepared	Unqualified *	Unqualified *
Bureau of Mines	Unqualified	Unqualified	Unqualified	Unqualified	Bureau Eliminated	N/A	N/A	N/A	N/A
National Biological Service	N/A	N/A	Unqualified	Unqualified	Merged with USGS	N/A	N/A	N/A	N/A
National Park Service	Disclaimer	Disclaimer	Disclaimer	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Bureau of Reclamation	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	No report issued	Unqualified
Office of Surface Mining	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Departmental Offices	Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Office of Territories and Int'l Affairs	F/S prepared but not audited	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Combined with Dept Offices	N/A	N/A

* Custodial revenues only.

- Preparation and audit of FY 2000 financial statements for the Department's nine bureaus and operating components:* Of the nine audited Interior bureaus issuing financial statements, seven received unqualified audit opinions, indicating that the financial information presented was fairly stated in all material respects. The financial statements for the Fish and Wildlife Service received a qualified audit opinion and the Office of Inspector General did not issue an opinion on the Minerals Management Service appropriated funds, although they did issue an unqualified audit opinion on the Royalty Activity. For the second year, the Bureau of Indian Affairs received an unqualified opinion on its financial statements. All bureaus and operating components continue to demonstrate significant progress in improving the quality of financial data and financial statement presentation. *Exhibit 2-1* presents a summary of the Department's progress in the preparation and audit of financial statements.
- Participation in the Association of Government Accountants (AGA) Certificate of Excellence Program:* The Department's FY 2000 Accountability Report was submitted for review under the Certificate of Excellence Program for the third year. The comments received from this review continue to be used to improve Interior's Accountability Reports.
- Enhancement of the Consolidated Financial Statement application to permit bureau access to the Hyperion Enterprise application:* This system enhancement allows each bureau finance office to participate directly in the data collection process via the Citrix server capability. This capability is being used in preparing the FY 2001 financial statements within the Department (see Chapter 3 for additional information).

Planned Actions

Ongoing Activities

- Continue to prepare and audit bureau and Department annual financial statements.
- Further streamline the financial data collection process to permit more timely preparation of the annual audited financial statements as well as the preparation of periodic unaudited financial reports for management. This will include continued enhancement of the Consolidated Financial Statement application to further streamline the process. This streamlining will improve the efficiency of the FY 2001 FACTS II submission from the bureaus to the Department of the Treasury and improve the efficiency of the single departmentwide FACTS I submission.

FY 2002 Planned Activities

- Complete the preparation and audit of the FY 2001 consolidated financial statements and bureau financial statements by the statutory deadline of February 27, 2002.
- Continue preparing quarterly financial statements, including the Statement of Budgetary Resources, for bureaus and operating components.
- Establish and implement a central database to merge the financial data contained in the Hyperion applications with non-financial attributes in support of departmentwide FACTS II reporting to the Department of Treasury

FY 2003 and Beyond Planned Activities

- Continue to improve the quality and timeliness of financial reporting.
- Test preparation of monthly financial statements for bureaus and operating components.
- Achieve unqualified audit opinions for all bureau and operating component financial statements and the Department's consolidated financial statements.

Correction of Federal Financial Management Improvement Act Deficiencies

The Federal Financial Management Improvement Act of 1996 (FFMIA) builds upon and complements the CFO Act, the Government Performance and Results Act, and the Government Management Reform Act. The FFMIA requires that federal agencies conform to the governmentwide Standard General Ledger, comply with all applicable federal accounting standards, and establish financial management systems that support full disclosure of federal financial data, including the full costs of federal programs and activities. The audit is to include a statement regarding compliance with these provisions in the audit report on agency financial statements. If an agency is not in compliance with these requirements, the FFMIA requires that the agency head establish a remediation plan necessary to bring the agency's financial management systems into substantial compliance.

For FY 2000, the Office of the Inspector General (OIG) reported in its opinion on the Department's consolidated financial statements that the Department was not in compliance with financial accounting standards because: (a) the Fish and Wildlife Service did not properly report investments in non-federal physical property made by grantees under the Federal Aid in Sport Fish and Wildlife Restoration Programs in fiscal year 2000 as "Supplementary Stewardship Reporting" under Statement of Federal Financial Accounting Standards No. 8; (b) the Bureau of Indian Affairs had not developed managerial cost accounting systems that adequately captured all elements necessary to assigning indirect costs on a reasonable basis; and (c) the Department was not in compliance with financial management systems requirements because controls overall have been weak and have resulted in unreliable, untimely, and inconsistent financial information and bureaus and offices do not have computer security management programs to ensure that their financial data and systems are adequately safeguarded and that financial data have integrity.

- *Fish and Wildlife Service Reporting of Investments in Non-Federal Physical Property:* While the Department concurs that the FWS should report its investment in non-federal physical property, the Department does not agree that this represents a substantial noncompliance with Standard No. 8. However, in FY 2001, FWS will ensure that these disclosures are contained in their Financial Report.
- *Cost Accounting:* The Bureau of Indian Affairs (BIA) had not developed managerial cost accounting systems that adequately captured all elements necessary for assigning indirect costs on a reasonable basis. Specifically, the BIA did not allocate indirect costs to its responsibility segments or identify its indirect costs as a separate segment as of September 30, 2000. The BIA has evaluated certain cost accumulation and allocations processes. The focus of this evaluation was to ensure that costs accumulated for financial statement reporting for responsibility segment information is consistent with the Government Performance and Results Act reporting of GPRA Program Segment information and properly relates to budget reporting. This revised cost accumulation process will be used to prepare the FY 2001 financial statements.
- *Financial Management System Requirements:* The Office of Inspector General reported that the Department's financial management systems did not substantially comply with federal financial management systems requirements. In addition, bureaus and offices do not have computer security management programs to ensure that their financial data and systems are adequately safeguarded and that financial data have integrity. In that regard, the Department does have a plan for a computer security management program, which includes financial management systems, but the plan has not yet been implemented. Interior has identified this issue as a material weakness of the Department and the Department has prepared a departmentwide computer security policy document that has been thoroughly reviewed within the Chief Information Officer community. The final policy will be issued in mid September 2001 and training in its use is now underway.

CHAPTER 3. IMPROVING FINANCIAL MANAGEMENT SYSTEMS

***GOAL:** Achieve and maintain a single, integrated financial management system that complies with federal government policy.*

The Department shares the view of the governmentwide CFO Council that a key to improved financial and program management is improved financial management systems. Improving financial management systems will provide for and strengthen our decisionmaking capabilities and enable Interior program and financial managers to more effectively carry out the Department's missions. The Department recognizes the importance of its financial management systems as a part of its capital assets portfolio, and uses sound information technology investment management principles to plan and monitor these systems. Interior's goal is to achieve and maintain the objective stated in OMB Circular A-127 for each agency to establish a single, integrated financial management system. In pursuing this goal, the Department will follow the information technology investment management practices and principles identified in the Clinger-Cohen Act of 1996.

History

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. Since the mid-1980s, Interior has improved its financial systems and eliminated duplicative and redundant systems. By 1984, the number of personnel/payroll systems used by Interior had been reduced from five to one. All bureaus within the Department were converted from the PAY/PERS personnel/payroll system to the Federal Personnel/Payroll System (FPPS) by the end of 1998. The FPPS is a new, agency-developed system maintained by the National Business Center. The FPPS is a fully integrated, on-line system that services 22 agencies, including the Social Security Administration, in addition to the Department.

By FY 1992, the number of existing bureau core financial systems had been reduced from ten to two, with off-the-shelf software, Federal Financial System (FFS), being used in six bureaus which account for over 95 percent of Interior's annual accounting transaction volume. One additional bureau, the Office of the Secretary, converted to FFS during FY 2000. The remaining two smaller bureaus use ABACIS, an in-house developed core accounting system.

Overall, Interior's financial management systems represent a combination of governmentwide systems, departmental systems, and bureau managed systems. Increasingly, Interior is becoming reliant on technology as the enabling agent for meeting management's need for more timely and comprehensive financial management information for streamlining underlying financial and administrative processes, and improving the efficiency of transaction processing. Moreover, Interior is fully aware of the importance of information technology as a financial investment and of the necessity to manage this investment wisely.

Financial Management Systems Improvement Strategy

The Department’s goal is to continue to improve financial transaction processing and to enhance the financial management systems support through an effective partnership of program, information system, and financial managers.

The Department relies on a unified set of financial management systems planned for and managed together, and operated in an integrated fashion to collectively 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 governmentwide systems that the Department relies on. Collectively, they represent the Department’s financial management systems architecture. The current financial system architecture is shown in *Exhibit 3-1*, arrayed by the different types of management approaches being used. *Exhibit 3-2* lists the Department’s financial management systems and applications.

Exhibit 3-1

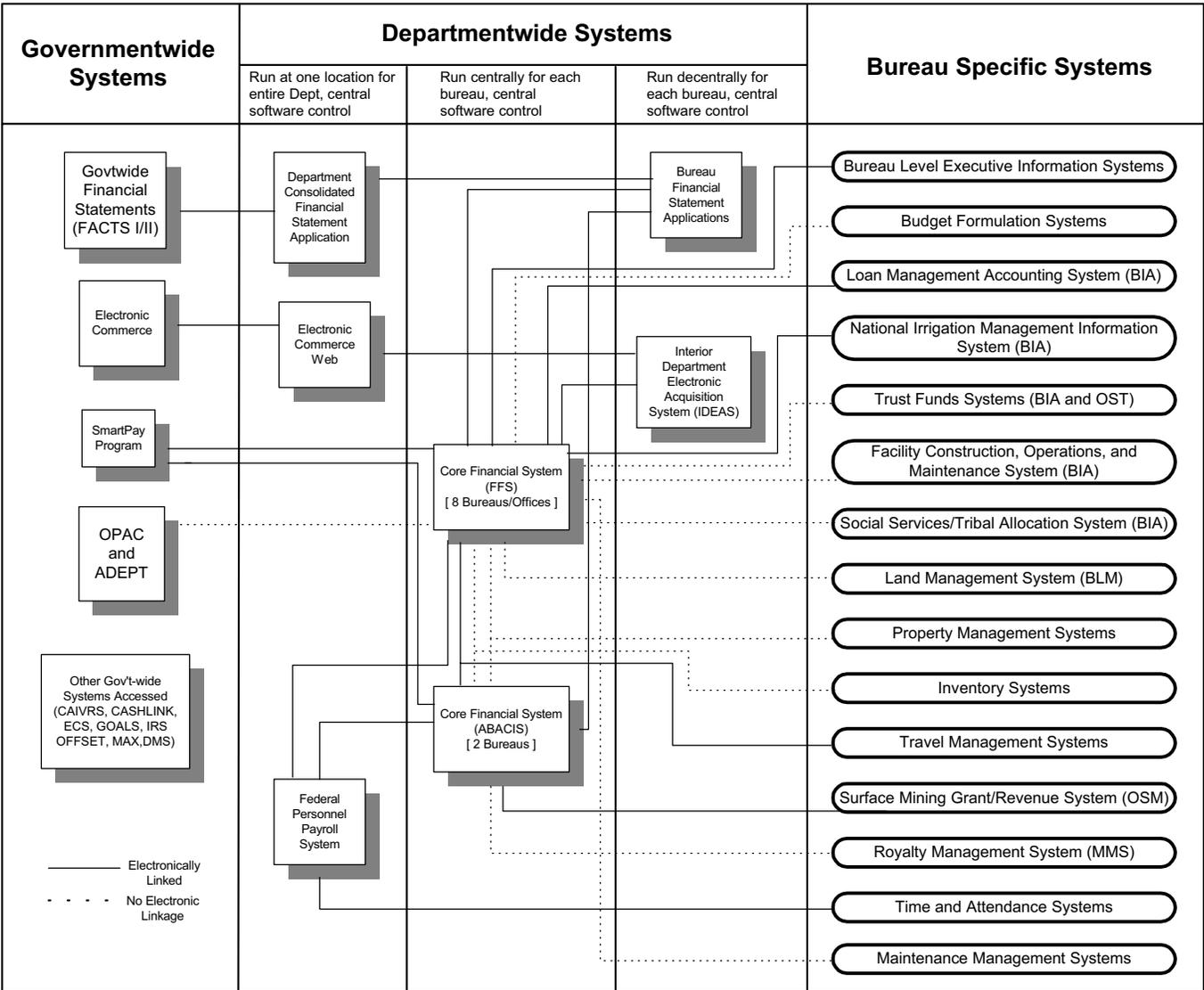


Exhibit 3-2

**Department of the Interior
Financial Management Systems Supporting Exhibit 3-1
System/Applications**

DEPARTMENTWIDE SYSTEMS

Core Financial System (FFS)

- Federal Financial System (8 Bureaus/Offices)

Payroll Personnel System

- Federal Personnel/Payroll System (FPPS)

Core Financial System

- Advanced Budget/Accounting Control and Information System (2 Bureaus)
- Accounting and Aircraft System (OAS)

Interior Department Electronic Acquisition System

BUREAU SPECIFIC SYSTEMS

Bureau Level Executive Information Systems

- Management Information System (BLM)
- Administrative Information System (GS)
- Administrative Financial System II (NPS)
- Federal Aid Information Management System (FWS)
- TABS (GS)
- Financial Reporting and Reconciliation System (NPS)
- Budget and Science Information System (GS)
- TSC Management Information System (BOR)
- Administrative Management Information System (GS)

Property Management Systems

- FFS Fixed Assets Subsystem (BIA, BLM, GS, NPS)
- Moveable Property System (BOR)
- Property Management System (MMS)
- Property Management Web (New System Being Developed by MMS)
- Personal Property Management Information System (FWS)
- Real Property Inventory (FWS)
- Federal Real Property Management (GS)
- Property Accountability Ledger System (OSM)

Budget Formulation Systems

- Budget Allocation System (FWS)
- Program and Budget System (BOR)
- Budget Formulation System (NPS)

Inventory Systems

- FEDSTRIP System (BOR)
- DORRAN (GS)
- Inventory Subsystem (GS)
- Peachtree 2000 Inventory System (GS)
- Production Tracker (OS)

Loan Management Accounting System (BIA)

Travel Management Systems

- Travel Manager Plus

National Irrigation Management Information System (BIA)

Royalty Management System (MMS)

- Production Accounting and Auditing System
- Auditing and Financial System

Trust Funds (BIA, OST)

- Trust Funds Accounting System
- Integrated Resources Management System

Surface Mining Grant/Revenue System (OSM)

- Grant Information Financial Tracking System
- Fee Billing and Collection System
- Audit Fee Billing and Collection System
- Civil Penalty Accounting Control System

Facility Construction, Operation, and Maintenance System (BIA)

Social Services/Tribal Allocations System (BIA)

- Tribal Allocation Priority System
- Social Services Automated System

Maintenance Management Systems (Various)

Land Management System (BLM)

- Payment in Lieu of Taxes
- Collection and Billing System

The Department has viewed the movement toward a single, integrated financial system as encompassing four interrelated elements: (1) migrating to and enhancing standard departmentwide systems; (2) improving or replacing financial and mixed systems to take advantage of new technological capabilities (e.g., Internet browser and smart card technology); (3) effectively interfacing or integrating financial management systems through electronic transfer of data and establishing standardized financial data classifications for movement of data to support finance and program managers; and (4) following sound investment principles in selecting and evaluating its financial management systems and recognizing those systems as part of the Department's portfolio of capital assets.

Over the past five years, the Department's financial management systems strategy was to target systems improvements to adjust to changes brought about by organizational rightsizing, streamlining, and reengineering efforts. These efforts focused on completing seven major financial management systems improvement efforts: (1) enhancing current core accounting systems; (2) implementing FPPS; (3) implementing a departmentwide procurement system (IDEAS); (4) maximizing opportunities for utilizing Electronic Commerce (EC) and other Electronic Data Interchange (EDI) applications; (5) improving property systems through the use of the FFS Fixed Assets module; (6) improving the American Indian Trust Funds systems; and (7) implementing the Minerals Revenue Management Reengineering Initiative. The last two efforts are still underway.

The Department's current financial management systems improvement efforts involve four major thrusts:

- *Current Systems:* Maintain current financial management systems to support administrative and program managers, update these systems where necessary for regulatory compliance requirements, and manage these systems in a manner consistent with the Department's information systems investment management policies and procedures.
- *Financial Management Systems Migration Project:* Define, carefully plan, and implement a new generation of financial management systems to take advantage of new technology and processing opportunities.
- *Federal Human Resources Information System (FHRIS):* Define, carefully plan, and implement the system functionalities needed in the Human Resources community.
- *Critical Programmatic Management Systems:* Re-engineer and/or replace certain critical bureau-based programmatic/financial management systems supporting critical programs: Minerals Revenue Management; Indian Trust Funds Systems; and Facilities Management System.

The target architecture for the next five years will be determined by the results of the Financial Management Systems Migration Project. Therefore, an illustration of the target architecture is not included in this financial management plan.

FY 2001 Accomplishments

During FY 2001, the Department continued financial systems enhancements, which included successfully completing systems improvement efforts begun in previous years and expanding the use of outside services to support transaction processing.

Significant FY 2001 accomplishments include the following:

- ***SmartPay Program:*** (Commonly called the DOI Integrated Charge Card Program)
Through a partnership between the Interior travel, acquisition, and property programs with Bank of America, the Department increased electronic management and oversight of the program. Five new management control reports were bought online, with five additional reports expected to be fully operational in late FY 2001 to further improve management control over the program.
- ***Implement a Departmentwide Procurement System:*** IDEAS is a steady-state system, with implementation having been completed in FY 1999. In FY 2001, the Department maintained the Interior Department Electronic Acquisition System (IDEAS) across all major buying offices of the Department, and continued implementation in additional smaller offices. A total of more than 350 locations are using the software for requisitioning, purchasing, contracting, and contract administration. IDEAS consists of American Management Systems, Inc.'s Procurement Desktop software, supplemented with in-house functionality for electronic commerce and procurement data collection.

Enhancements were made to the system to further implement electronic commerce. IDEAS has provided for EC in simplified acquisitions (below \$100,000) for several years; in FY 2001 this capability was expanded to EC in contracts, including pilot efforts for construction solicitations with extensive drawing packages as part of the Request for Proposals. At the end of FY 2001, IDEAS will meet the Administration's deadline to post all synopses of solicitations required by the Federal Acquisition Regulation, and their related solicitation packages, on the new FedBizOpps governmentwide point of entry (GPE).

At the request of customers, the system was also enhanced to respond to changes to governmentwide procurement regulations and data reporting requirements. Interfaces to bureau financial management system databases are complete and all bureaus are using the interfaces except two (Minerals Management Service and Office of Aircraft Services). The Minerals Management Service completed interface testing in August 2001 and plans to implement IDEAS in October/November 2001.

- ***Improving Property Systems:*** Interior continues to encourage the property management community (personal, real, and museum property managers) to demonstrate the economies that can be realized through the proper control of government property based upon sound business practices. Through the DOI Property Management Partnership and bureau-specific activities, linkages among bureaus and between administrative activities and mission programs have been cultivated. The Property Management Partnership provides a structure through which bureau officials develop common strategies and agreements to improve systems, operations, services, and information on property in order to achieve efficiencies and cost effectiveness.

Current systems are using outdated technology, are not integrated, and do not have the necessary security capabilities to facilitate open access through the Internet. Interior is working toward continuous improvement by establishing an integrated property system, as a module of the Financial Management Systems Migration Project, for use by all bureaus. The Partnership continues to address needed enhancements with the objective to migrate as quickly as possible to a system that incorporates new technologies that will eliminate duplicate data entry and allow for easy and timely access to data. An integrated property system will allow users in the field and senior managers to manage their assets better, reduce unneeded inventories, and to improve accountability.

- *Current Core Accounting Systems:* The Department continues to maintain the existing core accounting systems until a replacement core accounting system is identified, acquired, and implemented. A new release of the FFS core accounting system software was implemented in July 2001.
- *Improved the Consolidated Financial Statement System:* In FY 1997, the Department began using Hyperion Enterprise software for collecting financial statement information to support the preparation of consolidated financial statements. Since FY 1999, each bureau finance office has also used Hyperion Enterprise to prepare bureau-level audited financial statements. The Consolidated Financial Statement (CFS) application is fed by the respective bureau applications and is the single source of data used in preparing the Department's consolidated financial statements and governmentwide reporting. The CFS and bureau applications collect summary financial data by Treasury Fund Symbol and Standard General Ledger codes from the core accounting systems that process financial transactions for each bureau of the Department. The Department uses a Citrix server to support the Hyperion applications and financial statement preparation process. The Citrix environment allows each bureau to have direct ownership of their portion of the financial statement data, allows bureaus to post journal entries directly into the system, and provides open access to financial data used in preparing financial statements by the bureaus, the Department, and financial statement auditors. The benefits of the CFS and bureau Hyperion applications include facilitating consistent financial statement reporting through the Department and its bureaus, direct access to financial statement data by the financial statement auditors, and the preparation of interim financial statements. The CFS is also the basis of data provided to the Department of the Treasury for the governmentwide consolidated financial statement through the FACTS I process and supports certain parts of the FACTS II budget execution reporting process.
- *GPRA Performance Tracking System:* The Government Performance and Results Act (GPRA) requires agencies to submit strategic plans to the Office of Management and Budget and Congress identifying measurable goals that define what will be accomplished during the fiscal year and reflect a level of accomplishment commensurate with the resources required and subsequently funded. The Department has implemented an Access based system to capture GPRA performance information to meet the GPRA reporting requirements on a departmental basis. The Department's Access database is being used to collect quarterly performance measurement information. This approach recognizes the need to be compatible with bureau level systems that are being built or planned to support GPRA requirements. The system is being used to report on performance measurement date; support data collection requirements for the Annual Accountability Report; and support the requirement to report on performance against the annual performance plan.

Planned Actions

FY 2002 Planned Activities

- ***SmartPay Program:*** (Commonly called the DOI Integrated Charge Card Program)

- Provide new web accessible Approving Official training with emphasis on management controls. Continue to decrease delinquencies on individually billed transactions. Increase accountability by making more information readily available to managers and auditors through online reports.

- Publicize increased management controls as a preventative measure to inhibit misuse/abuse of the card. Increase outsourcing of record keeping to the Bank, decrease paper records on hand, and improve real time management reviews by providing Bank of America's EAGLS (Electronic Account Government Ledger System) training.

- ***Implement a Departmentwide Procurement System:***

Maintain and further develop IDEAS through:

- (1) Identifying opportunities to award departmentwide contracts for items frequently bought with purchase cards. Establish tools for purchase cardholders to place orders against these contracts, keeping a simple ordering and payment process while leveraging the Department's buying power.

- (2) Working toward full electronic commerce capabilities, including not only the posting of synopses and solicitations on the web using FedBizOpps but also receiving quotes/offers and making awards, including electronic signatures;

- (3) Assisting bureaus in any additional IDEAS implementations at smaller field units, including implementing financial interfaces and electronic commerce;

- (4) Continuing to work with other federal agency users of the Procurement Desktop product, including the Patent and Trademark Office, the U. S. House of Representatives, the Library of Congress, the State Department, franchise client agencies, and others to coordinate and spread the costs of software enhancements; and

- (5) Continuing to provide (as an OMB authorized franchise effort) procurement system support to other agencies.

- ***Improving Property Systems:***

Continue to address needed enhancements for a standardized property system by providing strong support for the Financial Management Systems Migration Project, in collaboration with the Property Management Partnership (PMP). The objective is to migrate as quickly as possible to a system that incorporates new technology that will eliminate duplicate data entry and allow for easy and timely access to data. These enhancements include the following:

1. The PMP will expand efforts to standardize and streamline personal and real property systems by including each bureau/office in determining the extent of common requirements that will interface with the Department's planned financial management systems migration project initiative. As requirements for an integrated property system are defined, funding will be necessary to support system development.
 2. The PMP has implemented, and continues to modify and improve the Screen Available and Exchange-Sale (SAVES) system, which is a standardized, departmentwide Web-based system to share and report information on personal property available for reuse within Interior. The Bureau of Land Management serves as the lead bureau on SAVES, with the assistance of the National Business Center.
 3. The Oregon State Agency for Surplus Property (ORSASP) has developed an efficient and practical online asset disposal service and the Department has a need to dispose of property in a cost effective manner. Rather than develop a system of its own, the Department will enter into an agreement with ORSASP to use their efficient online asset auction service. The Agreement will provide for Interior bureaus/offices to access the ORSASP's Electronic Commerce and Marketing resources (online auctions/sealed bids) for the public sale of vehicles, equipment, and personal property items.
 4. Interior established an agreement with the Department of Defense (DOD) to address the environmental concern over the disposal of unserviceable electronic assets, including computers and peripherals. Through this agreement, the National Business Center, using a DOD contractor, began a new service within Interior to recycle and de-manufacture unserviceable computer equipment in a safe and environmentally compliant way. Included in this service is the proper disposal of the many hazardous materials contained in the equipment. A Memorandum of Understanding between the Department and the Federal Prison Industries is currently being developed to establish a nationwide recycling and de-manufacturing program for Interior's unserviceable electronic assets.
- *Travel Manager System:* Many of Interior's bureaus currently process travel transactions manually or with limited automated support. Travel processes (from the perspective of the finance offices and travelers) needs to be improved and streamlined with the implementation of an automated travel management system. The Finance Officers' Partnership has long recognized the need for an automated travel management system to improve the travel processes. Three bureaus/offices (U. S. Geological Survey, Bureau of Indian Affairs, and Office of the Secretary) either have implemented, or are planning to implement, an automated travel management system (GELCO Travel Manager).

During recent system demonstrations associated with the Request for Information (RFI) for the Financial Management Systems Migration Project, various vendors demonstrated their travel management system's capabilities. Based on the observations offered by the RFI participants, Travel Manager was the best of the travel management systems that were demonstrated during the RFI process.

The Financial Officer Partnership addressed Travel Manager implementation and felt that consideration of implementing Travel Manager across the Department was important enough to help to coordinate efforts among the bureaus and the NBC that can provide the service under a special arrangement with GELCO, the provider of the Travel Manager software. In addition, the effort would also look at improving linkages to other systems

such as FFS, the Bank of America SmartPay program, and in the future, the Travel Management Center contractor systems.

The National Business Center has offered to provide the Travel Manager capability on a departmentwide basis. By taking a departmentwide approach, we would eliminate duplication of effort by providing a single point of entry and having data flow through and update the financial system resulting in quicker payments to bureau travelers. Individual bureaus are reviewing the NBC proposals and will individually make decision on whether to participate in this departmentwide approach.

- *Consolidated Financial Statement System and GPRA Performance Tracking System:* These systems will continue to be maintained and updated to accommodate any new/revised requirements from whatever source.

Financial Management Systems Migration Project

In February 1998, the Interior Chief Financial Officers (CFO) Council established the Financial Management Systems Migration Steering Committee, which is composed of bureau CFOs/Deputy CFOs and co-chaired by Interior's Deputy CFO and the Director of Interior's Office of Acquisition and Property Management. The purpose of establishing the Steering Committee was to provide for senior level leadership in the planning, acquisition, and implementation of replacements for existing Interior financial management systems. An integrated approach to systems replacement is greatly needed since a number of the Department's financial management systems must be replaced within the next few years. For example, both of the Department's core accounting systems (FFS and ABACIS) are nearing the end of their useful lives. FFS is a mainframe system based on outdated technology that was first implemented in Interior in October 1988. The FFS vendor has already developed and is marketing its new generation of core accounting system software, and will eventually discontinue support of the old version of FFS. Consequently, Interior must replace FFS with a system that complies with a contemporary "open system architecture" environment within the next five or so years. The development of a migration strategy will ensure that any new replacement systems adhere to the Department's information systems architecture and allows for full integration among the Department's financial management systems.

The Interior CFO Council endorsed the Steering Committee recommendation that the Department engage in a coordinated cross-functional financial management streamlining effort that encompasses the following business functions: budget formulation and execution; personnel and payroll management; acquisition, receipt, accounting, maintenance, and disposition of property and services; managerial cost accounting; and travel management. This effort provided the basis for developing a comprehensive strategy for implementing a new integrated financial management system within an Interior information systems architecture that adheres to the Joint Financial Management Improvement Program's "*Framework for Federal Financial Management Systems.*" Thirteen cross-functional teams were established which assessed each financial management business process and identified both process improvements and outlined the data used in each process; the information required by each process; and the system requirements to support the streamlined processes.

Utilizing the direction of the Clinger-Cohen Act of 1996, this proposed financial systems improvement strategy will include reengineering processes, where necessary, and building a business case for making investments in financial management systems replacement. The current effort has completed the initial three phases:

Phase I - Functional Analysis Phase: Defined/refined the requirements of the individual systems/modules (by function) that comprise the integrated financial management systems and identified and documented interactions/transactions/data exchanges with other financial management systems/modules to identify potential business process improvements.

Phase II - Business Process Review: Reviewed individual and cross-functional processes to identify business process improvements that are automation related that should be incorporated into any new financial management systems architecture. The goal was to identify what the integrated systems environment should be to meet the Steering Committee's goals to be paperless to the extent possible, require only a single user logon for access, allow one-time initial data entry, and provide easy access to common data.

Phase III - Business Case Development: Prepared a business case for acquiring software to meet the requirements of the re-engineered processes defined in Phase II. This business case is needed to meet the requirements of the Information Technology Management Reform Act (Clinger-Cohen Act), satisfy "Rainey Rules" for justifying major information technology investments, and receive departmental approval from the Executive Review Committee. Following the streamlining efforts, the migration effort will replace existing system modules within the defined architecture on a schedule determined by Interior's CFO.

Interior's strategy is to establish and maintain an integrated financial management system for use by all bureaus that will: (a) allow users in the field and senior management to access common financial data when they need it to perform their functions effectively and efficiently, (b) enable processing necessary to record underlying transaction data and the infrastructure to provide easy access to the data will be handled in the background with limited or no human intervention, and (c) provide a secure integrated systems information environment that will support e-government initiatives, be paperless, require only a single user logon for access, allow one-time initial data entry, and provide easy access to common data. This will replace Interior's current financial management systems that are old and cannot support current and planned e-Government opportunities. The core accounting system (FFS) used by most bureaus is based on a mainframe system using outdated technology; two bureaus are using an internally developed system (ABACIS) that is difficult to support; the procurement system (IDEAS) is a client-server system that does not support multi-bureau contracting initiatives and is expensive to maintain; and current financial management systems are not integrated and do not have the necessary security capabilities to facilitate more open access through the Internet.

The scope of the effort will include the following critical functions of the Department: core financial, acquisition, personal property/fleet management, travel, budget, financial assistance, real property and enterprise management information. The strategy for implementing the new systems will be to implement the system capabilities in phases by designing the systems to be implemented across the Department but implementing the new systems capabilities in two bureaus first (OSM and MMS) before implementing the systems capabilities in the other bureaus.

The strategy has been developed to support e-Government initiatives to improve government to customer, government to business, and government to government interaction by: (1) supporting secure electronic connections with outside parties purchasing services or obtaining information from the Department; (2) supporting electronic procurement and payment infrastructure for vendors doing business with the Department; and (3) supporting business process changes necessary to link electronically to state and other federal agencies for grants and intergovernmental activity. The strategy will provide value to senior level officials by improving decisionmaking through more accurate and more timely access and analysis of critical management information, improving integrity in data through better integration and control over information processes, and reducing risk of systems collapse due to old technology. Value will be added for line managers by providing better administrative support for employees to improve the quality of the work environment and ability to hire and retain high quality staff and improving the ability to take advantage of Internet capabilities. Value will also be added to administrative operating personnel by improving internal efficiency and effectiveness through streamlining processes, improving efficiency, and reducing reconciliation efforts between critical systems to allow for more analytical activities, supporting increased security over applications and data, and potentially reducing cost of systems maintenance and allow for less expensive enhancement to functionality in the future.

The Department acquisition and implementation investment is to set up the applications to support the functions within the scope of the project of departmentwide implementation and to implement the new systems capabilities in the first two bureaus (Minerals Management Service and the Office of Surface Mining) to ensure the approach works before implementing in the rest of the Department. The initial investment has been included in the Department's FY 2003 budget request to the Office of Management and Budget. The total systems acquisition and implementation investment for all bureaus is planned over an 8 year period.

FY 2001 Accomplishments

- Completed the Request for Information (RFI) process by conducting vendor software demonstrations. The purposes of the RFI process were to:
 - Determine if commercial-off-the-shelf software was available to meet the Department's financial management needs;
 - Gain a better perspective on the information technology environment within which these systems operate;
 - Provide more specifics on how much it may cost in the long term to implement and operate these systems; and
 - Determine the time frame to install and implement these systems.

The RFI process was successful in providing needed information in each area.

- Developed the FY 2003 Capital Asset Plan (Exhibit 300).

- Obtained contractual assistance in developing the Statement of Work for the software acquisition Request for Proposals (RFP).

Planned Actions

FY 2002 Planned Activities

- Complete the preparation of the RFP describing Interior's needs.
- Issue the RFP for the acquisition of financial management software.
- Evaluate and test the financial management software proposed by the vendors responding to the RFP.
- Obtain FY 2003 funding to carry out the migration strategy established to replace existing financial management systems within an integrated information technology architecture.

FY 2003 and Beyond Planned Activities

Depending on funding availability:

- Award contract for financial management software.
- Implement the Financial Management Systems Migration strategy in phases as defined in the long-term strategic plan for the migration to an integrated financial management system for the Department.

Federal Human Resources Information System

In 1998, the Department enlisted Booz, Allen & Hamilton to do an analysis of the Federal Personnel/Payroll System (FPPS) and private sector vendors to assist in determining how best to provide additional system functionalities needed in the Human Resources (HR) community. These additional needed system functionalities include:

- Applicant Tracking
- Priority Placement Program
- Electronic Rating and Ranking of Applicants
- Reduction-in-Force Processing
- Labor/Employee Relations Case Tracking
- Complaint Tracking, including EEO
- Position Classification
- Training/Employee Development
- Skills/Competencies Management
- Workforce Planning

The recommendation of Booz, Allen & Hamilton was to continue the use of FPPS for payroll and payroll-related HR functions and to select a commercial-off-the-shelf product to provide the additional HR functionalities.

On February 2, 2000, the Department signed an agreement with an 8A Native Alaskan Corporation to add SAP human resources software functionality to complement FPPS, in accordance with the recommendations contained in the 1998 Booz, Allen & Hamilton report.

The Federal Human Resources Information System (FHRIS) Project resulting from the above referenced contract has three objectives:

- Determine what areas in the SAP HR product need modification to meet federal requirements and help SAP understand the requirements so they can be added to the SAP product.
- Configure and pilot test three areas of functionality (applicant tracking, skills bank, and training and event management) at bureau test sites.
- Develop a business case for a long-term, departmentwide implementation of a federalized SAP HR system.

The FHRIS prototype pilot project was a success and the Department again contracted with Booz, Allen & Hamilton to assess the pilot project and develop a business case for departmentwide implementation of FHRIS. The resulting assessment and business case indicated:

- The pilot test proved the effectiveness of the SAP software and the business processes supported.
- An implementation of a federalized SAP software product had lower risk than other potential Enterprise-Resource-Planning (ERP) vendors.
- Projected costs for departmentwide implementation of FHRIS were virtually the same for all three major ERP vendors considered (SAP, Oracle, and Peoplesoft).

A subsequent return-on-investment (ROI) calculation showed a 313 percent ROI for a SAP implementation.

FY 2001 Accomplishments

- Conducted a demonstration pilot of HR functionality in the National Business Center.
- Developed a Business Case for FHRIS, including funding requirements for future years.

Planned Actions

FY 2002 Planned Activities

- Obtain departmental approval for the full project, based on the Business Case.
- Incrementally implement demonstrated functionality in several additional bureaus.
- Begin change management activities in all bureaus.

FY 2003 and Beyond Planned Activities

- Depending on availability of funding, commence the implementation of all the functional areas listed above in all bureaus.
- Develop interfaces between FHRIS and other Interior financial management systems.

Improve the Information Technology Infrastructure Supporting Financial Systems

The information technology (IT) infrastructure is critical to maintaining quality financial management systems that are secure. Two major efforts are underway to improve this infrastructure.

Interior Information Architecture Program

Historically, mission requirements have been isolated in focused organizations within Interior serving their specific purposes. Although these needs often overlapped among Interior's bureaus, they were often acquired, managed, and supported independently. The result is a variety of unconnected, repetitive, or inconsistent information systems on a variety of technical platforms. Rapid advancements in the maturity of information technology, such as networking, the World Wide Web, data warehousing, and application sharing have eliminated many of the barriers formerly impeding the sharing and integration of data, information, and resources. This sharing can ultimately provide the ability to enhance or recreate business processes. These enhancements, in turn, improve management of IT requirements, total cost of ownership, and service delivery. It is precisely these improvements that enables Interior to take an agency view of financial management related systems, as well as other departmental administrative systems. These same principles are being applied across all business systems within Interior.

Recognizing these factors and the absolute need for change, the Clinger-Cohen Act of 1996 requires each Agency Chief Information Officer to develop and implement an Enterprise Information Architecture. Interior's implementation is designated the Interior Information Architecture (IIA). Statutory requirements supporting the development and implementation of an information architecture include, but are not limited to, the Government Performance and Results Act (GPRA), Presidential Decision Directive 63, and the Government Paperwork Elimination Act. The goal of the IIA is to provide the process and the policies needed to evolve Interior's various information systems and technical infrastructures to a coordinated overall structure that is responsive, accessible, affordable, and easier to maintain.

Implementation of the IIA is a well-coordinated effort making progress on several levels. The Clinger-Cohen Act calls for an Information Technical Architecture that is driven by business needs. To meet this goal, Interior is articulating the business drivers in an Enterprise Business Architecture (EBA), and developing or improving the component architectures that make up the IIA. The Interior Architecture Project has joined with the GPRA effort to develop the EBA. This coalition incorporates bureau information technology and mission requirements into the GPRA process; thus, ensuring a consistent and crosscutting view of Interior's business. The development of the EBA is following a recognized industry best practice, from the META Group, for developing information architectures. The META Group has been secured to facilitate and assist in continued development of the IIA. Support for this development is secured through a GSA FEDSIM contract.

The component architectures are being developed or enhanced by the program managers within Interior's Office of the Chief Information Officer, Information Technology and Portfolio Management Division. Component architectures include IT Security, Data Resource Management, Applications, Collaborative Computing, Directory Services, Web Services, Network Services, and Platforms. Development of the component architectures will ensure Interior meets at least minimal compliance with related statutory and operational requirements.

FY 2001 Accomplishments

- Coordinated activities of the Interior Architecture Program, broadening involvement of bureaus and offices within Interior.
- Involved and informed Interior bureaus/offices in assessments of architectural maturity throughout Interior.
- Produced a draft Technical Reference Model and Standards Profile.
- Awarded a contract to META Group Consulting to facilitate and assist in continued development of the IIA.
- Involved senior business managers in defining Interior's strategic direction and challenges.
- Aligned with GPRA to obtain documented business strategic information.
- Aligned with IT Capital Planning and Investment Control to manage IT investments.

FY 2002 Planned Activities

- Complete the high-level IIA and initiate mid-level IIA development.
- Issue the final Technical Reference Model and Standards Profile.
- Mature the partnership with GPRA to identify strategic influences and integrate them into the IIA.

- Mature the partnership with IT Capital Planning and Investment Control to make the IIA an integral component of managing IT investments.
- Continue coordination of non-exclusive enterprise licensing agreements to leverage departmentwide purchasing power and reduce total cost of ownership.

FY 2003 and Beyond Planned Activities

- Complete gap analysis for high priority projects comparing current and future business, data, applications, and technology architectures.
- Update and maintain Technical Reference Model and Standards Profile.
- Identify and facilitate departmentwide acquisitions of commonly used information technologies.

Computer Security Improvement Project

Interior is committed to implementing a comprehensive agencywide Information Technology (IT) security program that meets the statutory and practical requirements that accompany the use of IT processing, storage, and transmission capabilities for information systems. This approach is not exclusive to the financial management systems, but considers them as being some of the more important assets. As keepers of the public trust, the Department must ensure that it fulfills its functional responsibilities, and do so in a manner that meets the requirements of all public laws, Executive Branch directions, and federal standards.

Interior's goal is to implement an agencywide, uniform IT security program to meet the practical and statutory requirements of operating federal information systems. Specifically, this means compliance with public laws, federal regulations, and Executive Branch directions. IT security program areas include:

- Program Management
- Policies, Standards, and Implementation Guidance
- Education and Awareness
- Oversight, Assessments, and Assistance
- Security Certification and Accreditation
- Intrusion Detection and Incident Handling

Beyond the statutory requirements, it is clearly understood by Interior's management that there are practical risk mitigation requirements involved in operating distributed financial management systems. Specifically, shared interests exist between Interior's bureaus. In examining the potential for loss, in many cases the loss is not separable to an individual component, but could in fact impact multiple bureaus, significant portions of Interior, other federal agencies, and even the general public. The risk mitigation approach must therefore be uniform across the entire agency.

The IT security program is using a strategy that focuses on remediating computer security deficiencies beginning with the most important systems. The importance of systems is expressed through categories and prioritized from highest to lowest as follows:

- National Critical Infrastructure and National Security Information Systems
- Interior Mission Critical
- All Other Sensitive Systems

Interior Mission Critical systems are those determined to be critical to the performance of Interior missions, or whose compromise or failure to demonstrate adequate security could lead to significant resultant losses. Funding has been requested for FY 2002 for contracted services to support the agencywide IT security program implementation for Interior Mission Critical Systems. This funding will support an agencywide goal of achieving clearly demonstrated adequate security implementation for at least one-third of these systems by December 2002. The measure of successful implementation is demonstration of adequacy in these seven critical areas:

- Organization or Program Security Policies and Standards
- Certified System Security Plans
- Proper System Accreditation
- Contingency Planning
- Incident Handling Capabilities
- Security Training Program
- Investment Planning for Security Across the Life Cycle of Programs and Systems

Interior specifies “adequate” as fully meeting the requirements put forth in public laws, Executive Branch directions, Federal standards, and the agency’s own policies. The demonstration of adequacy will be accomplished through the use of structured, well-documented reviews that look at administrative and technical controls. The reviews of administrative controls will be accomplished using proven methodologies employed by internal and external oversight organizations such as the Office of Inspector General and General Accounting Office. Reviews of technical controls will be accomplished through systematic technical testing to include network mapping, vulnerability scanning, and controlled exploitation of identified vulnerabilities.

FY 2001 Accomplishments

- Conducted focused seminars for approximately 100 IT Security Managers to train them on implementing adequate security for Federal IT systems.
- Completed the internal review of the Interior IT Security Plan that provides the basis for meeting the minimum requirements for federal IT systems.
- Began a structured and well-documented initial risk assessment for Indian Trust Management systems.

FY 2002 Planned Activities

- Conduct a facilitated asset valuation process to rank in importance Interior’s information systems.
- Conduct initial risk assessments and gap analysis to determine the state of security compliance.

- Develop and implement security remediation plans.
- Implement structured processes to ensure that security requirements are well articulated in future year budget requests.

FY 2003 and Beyond Planned Activities

- Complete standards for all categories of information systems.
- Develop and implement remediation plans to include all information systems.
- Continue security program capability maturity model development, as specified by the National CIO Council.
- Continue development in accordance with Chief Information Officer Council guidelines.

Replacing Critical Programmatic Management Systems

The Department has projects underway to replace or enhance certain critical programmatic management systems that process financial data. These projects include the following:

Minerals Revenue Management Reengineering Initiative

Minerals Revenue Management (MRM) is responsible for ensuring that all mineral revenues from federal and Indian lands are efficiently, effectively, and accurately collected, accounted for, verified, and disbursed to recipients in a timely manner. These revenues amount to more than \$6 billion annually. The MRM is faced with a number of challenges that has forced it to reexamine its core business processes. One of these challenges is the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 that significantly changed many of MRM's historical operating assumptions, as well as some fundamental federal oil and gas mineral revenue financial activities. Another compelling reason for a reengineering effort is the need to improve MRM's performance by reducing its business cycle to match other comparable organizations in the public and private sectors. Key to MRM's reengineering initiative is to modernize its information technology infrastructure, by deploying new technologies and replacing applications whose roots can be traced to the early 1980s.

The reengineering initiative addresses all core MRM business processes—financial, accounting, compliance, and systems. The reengineering effort is expected to produce new business processes and support systems that are highly integrated, process centered, focused on outcomes, and well positioned to meet current and future mission requirements.

FY 2001 Accomplishments

- On October 8, 2000, all employees transitioned into the new MRM organizational structure, thus optimizing the work structure approach to the new compliance strategies, systems, and processes, while also aligning with Government Performance and Results Act (GPRA) goals.

- Started the transition to the new business processes and prepared for the new automated systems.
- Completed development and system testing of key components of the future architecture, including the data warehouse, financial system, compliance applications, workflow, and on-line analysis tools.
- Established innovative new data administration function to provide effective management control over data as a resource and to comply with the Department's and the Office of Management Budget's guidance to establish system architectures.
- Finalized and tested the method for converting historical financial and production reported data to the new systems.
- Conducted comprehensive acceptance testing to ensure new systems produce accurate results when using actual test cases.
- Completed random audit process to test, evaluate, and revise re-engineered compliance processes.
- Conducted comprehensive performance testing to ensure new systems and telecommunications connections provide acceptable and timely performance.
- Developed training materials and conducted training modules for employees, States, Tribes, and industry.
- Continued outreach and communication efforts.

Planned Actions

FY 2001 Remaining Planned Activities

- Carry out conversion of historical data (September 2001).
- Implement PeopleSoft financial system (September 2001).
- Implement compliance and data warehouse applications and tools (September 2001).

FY 2002 and Beyond Planned Activities

- Establish property processing and transportation system profiles and databases.
- Plan and implement additional process improvements for streamlining and enhancing compliance. Establish ongoing continuous improvement cycle for compliance processes and systems. As new techniques and approaches are developed in the workplace, implement new tools and applications to support them.

- Continue outreach and communications effort, which includes training activities, as needed, for both internal and external stakeholders.
- Convert all effective RIK reconciliation processes into the overall Compliance and Asset Management processes.

Improving the American Indian Trust Funds Systems

The American Indian Trust Fund Management Reform Act of 1994 affirmed the Secretary's trust responsibilities and established the Office of the Special Trustee for American Indians (OST). The Act identified actions required for the Secretary's proper discharge of trust responsibilities including: providing adequate systems for accounting for and reporting trust fund balances; providing adequate controls over receipts and disbursements; providing periodic, timely account reconciliations; determining accurate cash balances; and preparing periodic statements of account performance and balances. The Act also addressed the need for developing systems for accounting and investing funds, for reporting to account holders, and maintaining accurate data on ownership and lease of Indian lands.

The OST, headed by the Special Trustee, oversees and coordinates trust fund management reforms for the Department and reports directly to the Secretary. The OST's responsibilities include the Office of Trust Funds Management (OTFM) and other financial trust services functions transferred from the Bureau of Indian Affairs (BIA).

Reviews by the General Accounting Office (GAO), the Department's Inspector General, and independent accounting firms have identified serious financial management problems in the management of Indian Trust Funds. Reports based on these reviews indicated, among other things, that trust fund data is unreliable, inaccurate, and inconsistent, and trust systems have been inadequate to comprehensively process trust data and support investment activities. Additionally, inadequate internal controls and lack of consistent, written policies and procedures were also cited in the reports.

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 stemmed from the report, known as the Secretary's "Six Point Plan." The OTFM implemented an interim service bureau system for managing tribal investments and accounting services. This interim service improved the OTFM's performance of fiduciary duties regarding tribal trust fund investment, accounting, and reporting. BIA has performed most collection activities. The Six Point Plan also called for correcting problems with Individual Indian Money (IIM) accounts, including correcting IIM data and improving IIM-related systems.

In April 1997, the Special Trustee submitted a proposed comprehensive strategic plan to the Secretary and the Congress. Although the Secretary had reservations about certain aspects of the plan, it was agreed that the trust system improvements and data cleanup efforts in the plan would proceed. The plan included initiatives to clean up IIM records; eliminate data backlogs; improve policies, procedures, and controls; enhance training; and improve computer systems. Acquisitions were planned for: (1) Trust Funds Accounting System (TFAS), (2) Trust Asset and Accounting Management System (TAAMS), and (3) Land Records Information System (LRIS) enhancements.

These initiatives are also included in the High Level Implementation Plan (HLIP) of the Trust Management Improvement Project (TMIP). The HLIP, first published in July 1998 and revised in February 2000, now addresses 11 subprojects, and identifies responsible officials, progress made, action plans, and resource requirements. The HLIP subprojects are:

- Administrative Data Cleanup (OST)
- BIA Resources Data Cleanup
- Probate Backlog (BIA and Office of Hearings and Appeals)
- BIA Appraisal Backlog
- Trust Funds Accounting System Deployment (OST; project complete)
- Trust Asset and Accounting Management System Deployment (BIA)
- MMS Systems Reengineering
- Records Management Improvement (OST)
- Policy and Procedures (BIA)
- Training (OST)
- Internal Controls (OST)

FY 2001 Accomplishments

- Efforts have progressed in various areas including records cleanup, probate backlog elimination, and activities for improved systems. The revised HLIP, as amended by the Quarterly Status Reports, includes about 260 milestones for accomplishing trust improvement projects; as of April 30, 2001, a cumulative total of 186 milestones were completed, and 23 of the remaining 74 milestones are designated as ongoing throughout the life of the HLIP.
- The Special Trustee has expressed concern about the project management capabilities assigned to several major HLIP subprojects. The concerns include lack of clear strategy, adequate financial and staff planning, communications, and the appropriate direction of contractors. A contract has been awarded and work is underway to evaluate progress and coordination of HLIP subprojects and areas in which the Department has been held in breach of its trust responsibility.
- There are over 260,000 IIM and tribal accounts on the TFAS, a state-of-the-art trust finance system. It provides basic collection, accounting, investment, disbursement, and reporting functions of trust fund management operations. Also, the Secretary established the Office of Historical Trust Accounting.
- The TAAMS, along with the BIA Data Cleanup and the TFAS subprojects, is to provide the backbone of the major trust systems capability that the Department requires in order to deliver appropriate trust services to beneficiaries. TAAMS is an asset and accounting management system which is to include master lease, billing and accounts receivable, collections, and land title functions. The land title portion is operational in four regions, but without a title history database. The TAAMS leasing portion still requires considerable programming, and the Special Trustee has expressed concern about the capability of the BIA project management to implement the system across all regions and about the limited progress in BIA Data Cleanup. Planned TAAMS-related activities are subject to revision after a review is completed.

- The MMS Systems Reengineering initiative, including financial system, relational database management system and related modules, and compliance system, is expected to be completed shortly.

Planned Actions

FY 2002 Planned Activities

- Continue TFAS training.
- Continue TAAMS deployment at various locations. (subject to revision)
- Provide TAAMS training and orientation. (subject to revision)
- Implement records management improvements in OST and BIA.
- Continue implementing Indian Probate Reinvention Lab recommendations.
- Continue risk management presence to prevent internal control weaknesses relapses.
- After completion of TAAMS implementation at any remaining sites and completion of deferred modifications, complete documentation and supporting information as needed. (subject to revision)

FY 2003 and Beyond Planned Activities

- Complete TAAMS post-deployment data cleanup and continue TAAMS ongoing operations. (subject to revision)
- Continue records management improvement activities.

Facilities Management System

Interior's public buildings, structures, and other facilities represent a major investment of tax dollars. Ensuring that maintenance and repair of such facilities is funded and implemented efficiently and effectively is an important element in protecting that investment and reducing potential Department and bureau liability. Inadequately funded maintenance due to reduced budgets, diversion of maintenance funds for emergency responses, and competition for resources from other program needs has led to accelerated facility deterioration. Deterioration can affect public health and safety, reduce morale and productivity of employees, compromise bureau missions, reduce revenues, and increase the need for costly major repair or early replacement of constructed assets.

In FY 1997, the Interior Planning, Design, Construction and Maintenance Council (PDCMC) initiated a departmentwide study of maintenance and repair issues with the goal of reducing financial and safety liability to Interior, increasing the effectiveness and awareness of facilities maintenance, controlling the increasing backlog of deferred maintenance, and ultimately, improving the stewardship of Interior's constructed assets. In February 1998, the final report from the study was issued. It is entitled, "*Facilities Maintenance Assessment*

and Recommendations”, and offers ten major recommendations to improving the bureaus’ and the Department’s facilities maintenance programs. Three of these recommendations directly relate to facilities management systems:

1. *Ensure Appropriate Use of Maintenance Allocations*

- Initiate policies and procedures such that maintenance funds are separately identified, allocated, and tracked to ensure that all maintenance funds are used for facilities maintenance.
- Establish policies and procedures to effectively account for expenditure of facilities maintenance funds.

2. *Establish Common Definitions for Key Maintenance Terms*

- Interior should establish:
 - a common subset of facilities data elements;
 - a more standardized definitions of terms;
 - procedures for documenting inventory and backlogs;
 - procedures for determining estimated replacement costs; and
 - budget categories for the bureaus to adopt into their facilities program processes.
- The bureaus’ real property and facilities data and systems should be consistent to achieve compatibility of data.
- Program and budget information should be linked with the Federal Financial System.

3. *Ensure Integrity of Maintenance Deficiency Databases*

- Initiate a uniform methodology and core data set for facility condition surveys to assess the maintenance and repair needs of all existing Interior facilities. Validate inventory of existing facilities.
- Develop automated backlog documentation that accurately communicates the facilities’ needs and that can easily be reviewed and updated by field staff. Include standard need descriptions and associated cost estimating procedures.

The Department is currently implementing these recommendations.

FY 2001 Accomplishments

- As a result of the recommendations presented in the *“Facilities Maintenance Assessment and Recommendations”* report and the Administration’s concerns regarding the deteriorating condition of the federal government infrastructure, the Department continued to request funding for the Maintaining America’s Heritage initiative which began in the FY 1999 budget with Safe Visits to Public Lands. This initiative recognizes that funding is urgently required to ensure safe visits for the visitors to the national parks, refuges, fish hatcheries, and public lands. It is also needed to ensure that Interior employees have safe working environments and that students attending BIA schools have safe educational

environments. This initiative relies heavily on the availability of accurate and complete facilities data and a comprehensive facilities management system to effectively utilize that data in identifying those facilities that are at most risk. FY 2001 is the third year of appropriation for this important initiative.

- In December 1998, Interior's Chief Financial Officer determined that a departmental material weakness existed in the area of maintenance management systems in four of the six facility managing bureaus (BLM, FWS, NPS, and USGS). A common core COTS software system, MAXIMO, used by BOR, was implemented by NPS in 30 park units in FY 2000 and NPS is implementing it in an additional 90 parks this fiscal year. Implementation of this software is being initiated by the USGS. The BLM and the FWS are beginning pilots of the MAXIMO software. This is cognizant of FY 2001 Appropriations Conference Committee Report language directing the development of consistent facilities management systems departmentwide. BIA has recently implemented an internally developed maintenance management system.
- In December 1999, the Department issued to the bureaus standard guidelines for the conduct of cyclic facilities condition assessments to be implemented in FY 2000. This requires the bureaus, through a formal process, to assess each of their constructed assets on no greater than a five year cycle. The data from these assessments are to reside in a facilities information system and will, after the completion of the first cycle (expected in FY 2005), form the baseline that would allow reliable annual reporting of deferred maintenance and be the basis for future prioritization of facilities repair and construction projects.
- The Department established a Facilities Management System Partnership to function under the PDCMC. This partnership is to:
 - Coordinate FMS implementations within the Department.
 - Provide a forum for exchanging information and experience on FMS.
 - Develop standardized facilities management data definitions and databases.
 - Coordinate FMS developments with the Financial Management Systems Migration Project.
 - Ensure compatibility among FMS.
 - Develop improved methods for meeting regulatory and other requirements (e.g., FASAB No. 6).
 - Recommend future common software enhancements and acquisitions.

Planned Actions

FY 2002 Planned Activities

- In support of the Maintaining America's Heritage initiative, the Department will implement the third year of the "*Five-Year Facilities Deferred Maintenance and Capital Improvement Plan*" to address critical health and safety needs and critical resource protection needs across the bureaus. The long-term improvement of facilities management is dependent upon the ability to collect current and accurate facilities data, utilize standard database definitions for those data elements that are required at the Department level, implement a formal program of facilities condition assessments, and have consistent facilities management systems to effectively and efficiently process facilities data.

- The NPS will deploy the MAXIMO facilities management software in their remaining park units. The USGS will initiate the software in the first 3 of the 14 installations for which it is to be used. The BLM and the FWS are to complete piloting of the software and begin a phased deployment.
- The Department will issue common definitions of facilities-related terms for use by all facilities managing bureaus. Through the use of common definitions, data gathered through a comprehensive condition assessment process, and continued use of the Five-Year Plan, Interior will be able to present a more consistent and credible view of budgeted resources and capital investments, goals, needs, and priorities to the Administration and the Congress.

FY 2003 and Beyond Planned Activities

- Continue implementation and improvement of the Five-Year Facilities Deferred Maintenance and Capital Improvement Plan.
- Improve accuracy of the deferred maintenance backlog through cyclic facilities condition assessments.
- Complete development and deployment of consistent facilities management systems throughout the bureaus.

CHAPTER 4. IMPLEMENTING THE GPRA

***GOAL:** Implement the Government Performance and Results Act as a driving force toward establishing a results orientation within the federal government.*

The Department of the Interior continues to make progress in implementing the Government Performance and Results Act (GPRA). GPRA has become a driving force toward establishing a results orientation within the federal government. The Congress, the Administration, and taxpayers want greater accountability in the management and operation of federal programs and GPRA is a key step toward achieving this goal.

Improving GPRA Implementation

GPRA requires agencies to develop strategic plans that elaborate the mission, outcomes, and results that agency programs are dedicated to achieving. Further, the Act requires that agencies set annual performance goals that will reflect progress toward outcomes, measure performance against goals, and report annually on accomplishments. The Department fully supports the principles embodied in the GPRA.

Interior has gone through two complete cycles of strategic planning, annual planning, and annual performance reporting. During FY 2000, the Department prepared a Revised Strategic Plan covering FY 2000 to FY 2005. As each stage in the GPRA cycle is completed, the Department is learning and improving, continuing to build the performance measurement infrastructure, developing more results-oriented goals, and monitoring progress toward meeting performance targets. Interior recognizes that much needs to be done before the Department will have a fully effective performance management system in place. During FY 2001 the following improvements were made:

- Applied a standard, clear, concise format for GPRA plans that resulted in reader-friendly documents and facilitated their use.
- Tested self-assessment tools for verification and validation of performance data across the Department.
- Applied organizational self-assessment tools that will improve program operations and efficiency.
- Strengthened and reduced the number of goals and measures in GPRA plans and presented the GPRA documents in clear, concise formats.

The Department continued to be an active member of the National Academy of Public Administration's (NAPA) GPRA Consortium, working cooperatively with other agencies on common performance management issues.

Interior has coordinated the GPRA planning activities through its Performance Management Council, which consists of the senior planning officials from the bureaus, as well as representatives from the Department's planning, budget, finance, human resources, and information management offices. This team approach has enabled Interior to build a broad-based departmental infrastructure to implement performance management.

FY 2001 Accomplishments

- ***FY 2000 Annual Performance Report (APR):*** FY 2000 was the second year the Department operated under a GPRA annual performance plan, the results of which were presented in Interior's Annual Performance Report, which was submitted to Congress in April 2001. Interior again combined the FY 2000 APR with the Annual Performance Plan (APP) so that readers would be able to see in one document results for the past year along with proposed performance for the coming year. The results for FY 2000 show that 70 percent of 242 performance measures were accomplished departmentwide, and that substantial progress was made toward meeting the remaining goals. For goals that were not achieved, the APR explained why the goals were not met and outlined strategies to meet future targets.
- ***FY 2002 Annual Performance Plan :*** The FY 2002 APP and FY 2000 APR accompanied the FY 2002 President's Budget which was submitted to Congress in April 2001. The FY 2002 APP featured several improvements over the FY 2001 plan. The number of goals tracked were reduced, goals became more outcome-oriented, and, where possible, crosswalk tables were presented that linked intended performance to budget accounts and subaccounts. Each plan used the same format and presentation so that a reader could easily navigate between documents. The Departmental Overview included representative bureau goals as well as crosscutting program goals, all linked to the Department's strategic goals to create a "highlights" view of Interior's performance.

Ongoing and Planned Activities

- ***FY 2001 Accountability Report:*** Interior continues to include selected high-level performance indicators in the Department's Accountability Report and bureau annual reports. Consideration is also being given to how GPRA reports might be combined with future Accountability Reports to link financial and performance accountability.
- ***Data Verification and Validation:*** Data verification and validation assessment tools have been applied in a series of bureau pilots during the summer of 2001 to further refine the Department's ability to evaluate data collection and reporting systems for performance measurement data.
- ***Senior Executive Service (SES) Performance Standards:*** Interior's planning and human resource offices are collaborating on how best to include performance results as part of each SES manager's performance appraisal. The policy will address GPRA and performance appraisal cycles, and how to include organizational results and balanced measures. During 2001, SES performance recognition will be based, in part, on senior executive's accomplishments in performance elements that support their organization's relevant GPRA goals.

- *Coordination with Office of Inspector General (OIG):* Because the OIG has been called upon to review and assess GPRA documents and performance, the planning and OIG offices have established regular meetings to explore the OIG role in the GPRA process, provide direct access to performance information, resolve procedural issues, and establish protocols for including GPRA performance in entrance conferences for audits. The OIG also participated in the development of data validation and verification criteria that were tested in Interior bureaus during July and August, 2001.
- *FY 2003 Annual Performance Plan/FY 2001 Annual Performance Report:* Interior's FY 2001 Annual Performance Report is due to Congress and the President no later than March 29, 2002. However, the FY 2003 APP and FY 2001 APR will again be combined and will be submitted with the budget justification in February 2002. The document will include any revisions to the FY 2002 performance goals resulting from final enactment of the FY 2002 budget. Departmental guidance on the combined document is being issued.
- *Development of Common Goals:* Interior's Planning Office is working with bureau staff to select several performance goal areas that are common to two or more bureaus. These are not crosscutting goals, but rather, are goals that each bureau has that are achieved independently, but also address the same or similar resources and rely on the same strategies. With minimal revisions, similar goal language and performance measures can be established that will allow the accomplishments of multiple bureaus to be summed and presented in the Departmental Overview as an accomplishment toward one of Interior's six strategic goals.
- *Strategic Planning in a New Administration:* The new Administration has indicated its intention to use the strategic planning process to help establish, communicate, and promote its agenda and policies for the Department. This will include preparation of a new strategic plan ahead of the next scheduled revision in FY 2003, and possible interim adjustments to the strategic plan using the FY 2003 annual performance plan. The new plan is expected to be a more unified, departmentwide approach that will recognize the interrelated nature of bureau missions and activities.
- *GPRA Performance Tracking System:* The GPRA requires agencies to provide the Office of Management and Budget and Congress with a report on its accomplishments, goals, and targets established in the past fiscal year. The Department has implemented an Access-based system to capture GPRA performance information to meet the GPRA reporting requirements on a departmentwide basis. The Department's Access database is being used to collect quarterly performance measurement information and is the basis for mid-term evaluations of progress in achieving GPRA goals. The system also supports data collection requirements for the Annual Accountability Report.

Improving Budget and Performance Integration

One of the key objectives of GPRA is to help Congress, OMB, agency executives and managers develop a clear understanding of what is being achieved in relation to what is being spent. Linking planned performance with budget requests and financial reports is an essential step in building a culture of performance management. Such an alignment brings performance expectations into budgetary deliberations, prompting any organization to reassess its performance goals and strategies and more clearly understand the cost of performance.

To accomplish the integration of budget and performance, the Department is taking the following steps:

Planned Activities

- *Linking Performance Structures and Budget Framework:* An initial step in integrating performance structures is the strategy of consolidating, aggregating or disaggregating the budget program activities into component parts and applying performance goals and indicators to those parts. These re-assembled groups have been termed by OMB as GPRA program activities and have been used by Interior's bureaus and offices since 1998.

The association of budget authority with GPRA program activities is based on detailed program operations knowledge, historical spending, anticipated program changes, and knowledge of direct program costs. Consistent with efforts to link budgetary resources to GPRA program activities, the bureaus have reflected the cost of performance in the statements of net cost presented in their annual financial statements. This is an iterative and evolving process. The bureaus are continuously developing ways to better capture the cost of performance.

The second step to forging a closer link between plans and budgets can be seen in efforts to show the performance consequences of requested levels of incremental funding for annual performance goals accompanying the President's budget request. The FY 2001 and FY 2002 annual performance plans produced initial steps in connecting incremental funding changes to performance results, at least at mission goal levels. The annual performance plan goal targets are set based on the funding expected to be available to achieve the goals and are consistent with the amounts shown in the bureau's budget request to OMB and the Congress and modified to reflect final congressional action on the budget request. As goals are being set, decision makers can determine whether the goals are appropriate and whether the expected level of performance is sufficient to justify the incremental change in federal expenditure and effort.

- *Improving Cost Reporting:* A final step in appraising performance results is to understand the cost of performance. The Department is expanding the use of Activity Based Costing (ABC) to achieve this objective. ABC is a management tool that attempts to ensure that every cent spent by an organization, including direct and overhead costs, is allocated to products or services in order to identify the cost to the organization of delivering those products or services. An ABC system gives visibility to how effectively resources are being used and how all activities contribute to the cost of a product. Information produced is used to compare costs, identify best practices, and improve business processes.

This approach helps assess the efficiency of performance, in dollar terms. It requires detailed accounting for all expenditures and permits aggregating the information at different levels to suit various decision making purposes. An ABC system integrates not only, performance (both outputs and outcomes), budget, cost, and financial reporting, but also complies fully with applicable accounting standards and GPRA. The Cost Management System provides valuable data for improved decision making by bureau managers and facilitates work process improvement at all levels of the organization because it is linked to work activities.

Constructing the standard set of work activities is the first critical step in the efforts to construct an ABC system. Further, ABC information can be aggregated at GPRA activity levels to help associate appropriations requests to targeted performance, or at lower levels to evaluate unit costs for a specific output; e.g., grant administration. Implementing ABC requires sophisticated programming and disciplined data categorization and entry.

The Department is still in the early stages of converting to ABC. Currently, most of the bureaus have limited capability to examine the full costs of their basic operations. However, the BLM has taken a leadership role to implement activity based costing and now has activity based cost information on its operations. The BLM began its efforts to implement activity based costing (cost management) in 1996 and the Cost Management System was fully implemented and integrated with their official accounting system IN October 1999. Integration with program performance measures is still ongoing.

The BLM's initiatives in developing its Cost Management System and MIS can serve as a prototype for other Interior bureaus attempting to achieve the same results. Two more bureaus, MMS and OSM, will engage in pilot ABC-type efforts beginning in FY 2002 and others will follow as the Department pursues additional tools to improve its performance and budgetary decision process. To help facilitate bureau efforts, the Department's proposed new financial management system that is under design is key to this effort and will be flexible enough to accommodate activity based costing.

CHAPTER 5. ENSURING MANAGEMENT ACCOUNTABILITY AND CONTROL

***GOAL:** Ensure that a sound system of financial management controls exists in all programs, organizations, and functions.*

Interior believes that maintaining integrity and accountability in all programs and operations: (1) is critical for good government; (2) demonstrates responsible stewardship over assets and resources in the Department's care; (3) ensures high quality, responsible leadership; (4) ensures the sound delivery of services to customers; and, (5) maximizes desired program outcomes. Accordingly, the Department has developed and implemented management, administrative, and financial system controls which reasonably ensure that:

- Programs and operations achieve their intended results efficiently and effectively;
- Resources are used in accordance with the Department's mission;
- Programs and resources are protected from waste, fraud, and mismanagement;
- Laws and regulations are followed; and,
- Reliable, complete, and timely data are maintained and used for decisionmaking at all levels.

Further, the Department firmly believes that the timely implementation of Office of Inspector General (OIG), General Accounting Office (GAO), and Single Audit recommendations are essential to improving the efficiency and effectiveness of programs and operations, and achieving integrity and accountability goals. As a result, the Department has instituted a comprehensive audit follow-up program to ensure audit recommendations are implemented in a timely and cost-effective manner, and that disallowed costs and other funds due from contractors and grantees are collected or offset.

Management Controls

The Department's goal is twofold: (1) to ensure that a sound system of management controls exists in all programs, organizations, and functions and meets the objectives and requirements of Federal Managers' Financial Integrity Act and OMB Circular A-123; and, (2) to implement an effective and systematic approach to assessing management controls that integrates other management improvement initiatives within the Department.

FY 2001 Accomplishments

- ***Provided Reasonable Assurance Objectives Were Met:*** Based on the results of mid-year and subsequent progress reviews, the Department expects to again provide reasonable assurance to the President and the Congress that, with the exception of BIA and OST, the systems of management, accounting, and administrative controls, taken as a whole, achieve the objectives of the Federal Managers' Financial Integrity Act and OMB Circular A-123, and that accounting and financial systems generally conform with governmentwide standards.
- ***Corrected Material Weaknesses:*** By the end of FY 2001, the Department expects to complete corrective action on five of its 19 pending material weaknesses carried over from FY 2000. Five material weaknesses were originally targeted for correction in FY 2001. Corrective actions on four (80 percent) of those material weaknesses have been or are projected to be completed by the end of FY 2001. Completion of the corrective actions for one material weakness slipped due to the expansion of the scope of its corrective action plan during FY 2001. In addition, one material weakness with a corrective action plan targeted for completion in late FY 2002, will actually be completed before the end of FY 2001, approximately one year ahead of schedule. Including the completion of the this material weakness corrective action plan, an overall completion rate of 83 percent will be achieved for FY 2001, well above the Department GPRA goal of 75 percent. Over the years, the Department has identified and reported 169 material weaknesses and 64 accounting system non-conformances. By the end of FY 2001, the Department expects to have corrected 155 of the total reported material weaknesses (92 percent) and all 64 accounting system non-conformances (100 percent). As no new material weaknesses have been identified or reported in progress reviews to date, the Department will carry forward 14 pending material weaknesses into FY 2002, of which six are expected to again be identified as mission critical weaknesses.
- ***Institutionalized the Management Control Automated Assessment Approach:*** The automated assessment approach was developed in a Department Re-engineering Lab in 1997. During 1998 to 1999, the Department successfully pilot-tested the automated assessment approach in 21 different programs and administrative functions. The resource savings and results were exceptional when compared to traditional management control assessments. The new automated approach saved over 90 percent of the staff resources consumed in planning, conducting, processing, and reporting the results of the assessments; avoided travel costs; and, identified areas of potential material weaknesses and best practices which were not previously detected. In FY 2000, bureaus conducted 23 management control assessments using the automated approach, or 48 percent of all bureau assessments performed and utilized in the FY 2000 annual assurance process. A new Web-based version of the software was introduced early in FY 2001; however, as a result of the delay in acquiring the new software release and the learning curve associated with its use, the Department did not expect nor achieve a significant increase in the usage rate for the automated assessment in FY 2001. The Department, however, expects to realize a significant annual percentage increase in the usage rate beginning in FY 2002 and continuing through FY 2006.

- *Issued the FY 2000 Annual Accountability Report:* The Department issued the FY 2000 Annual Accountability Report by the statutory due date of March 1, 2000. This marked the first time the report was issued by the due date. The Department attained a total of eight unqualified audit opinions on bureau and consolidated financial statements, failing to meet the goal of ten unqualified audit opinions.

Ongoing Actions

- Continue recent progress toward the achievement of the Association of Government Accountant's Certificate of Excellence in Accountability Reporting.
- Accelerate Department validation of the completion of material weakness corrective actions.
- Complete corrective actions on the remaining material weaknesses carried over from FY 2001 and ensure that other material weaknesses are promptly identified, reported to senior management, and corrected.
- Work with the OIG and the Department's Chief Information Officer to develop a more effective and efficient approach for assessing whether adequate computer security is being provided on computer systems, including financial management systems and financial data.

Planned Actions

FY 2002 Planned Actions

- Institute a management control quarterly progress reporting program with bureaus and offices to better support the accountability goals of the new Administration, and the oversight performed by the Department's Management Control and Audit Follow-up Council.
- Prepare and issue the FY 2001 Annual Accountability Report by February 28, 2002, utilizing the independent audit services of KPMG Peat Marwick.
- Complete corrective actions on four of the 14 (29 percent) pending material weaknesses expected to be carried over from FY 2001.
- Complete the development of and issue the Departmental Management Control and Audit Follow-up Handbook.
- Assist bureaus in implementing and becoming more proficient in the use of the web-based version of the management control automated assessment.

Audit Follow-up

The Department's goals are to ensure that audit recommendations designed to improve the efficiency and cost-effectiveness of programs and operations are implemented in an expeditious manner, and that disallowed costs and other funds owed to the Department which are identified in audits are collected and/or offset within reasonable or statutory time frames.

FY 2001 Accomplishments

- *Ensured the Quality of Non-Federal Audits:* During FY 2001, the Office of Inspector General (OIG) planned and expected to complete desk reviews of more than 200 single audit reports that were submitted to it by the Department of Commerce's Federal Audit Clearinghouse. The reviews were performed to ensure that the reports met the requirements of the Single Audit Act of 1984, and Office of Management and Budget Circular A-133.

The OIG also performed quality control reviews, including limited testing of support documentation, on 12 non-federal audits. The scope of these audits covered fiscal years 1998 and 1999, and federal funds totaling approximately \$280 million. In conducting these reviews, the OIG applied guidance established by the President's Council on Integrity and Efficiency to: (1) ensure the audits were conducted in accordance with applicable standards and met the Single Audit Act's requirements; (2) identify deficiencies or weaknesses in the accounting practices of report preparers and, if so, to perform follow-up audit work; and, (3) identify issues that might require management attention. The OIG also applied Bureau of Indian Affairs and U.S. Fish and Wildlife Service compliance supplements as guidance in evaluating workpapers. Overall, the OIG concluded that the audits reviewed complied with the Single Audit requirements. However, the OIG did identify one minor deficiency, a firm made management representations that did not specially address federal award programs as required by OMB Circular A-133.

- *Developed and Implemented a New Audit Tracking System:* The Department's Audit Follow-up Program staff designed and implemented a new and improved audit tracking system using Microsoft Access software. The new system (MCAF-TS) will facilitate more timely and effective monitoring of bureau and office audit recommendation implementation progress. This system has improved functionality and ad hoc report capabilities that will enable the Department to consolidate tracking of audit recommendations (both programmatic and financial management) from OIG, GAO and Single Audit reports, and provide for direct bureau updates. The new system will also provide for tracking the status of material weakness corrective action progress, and efforts by bureaus and offices to address OIG and GAO identified management challenges.
- *Improved the Rate of Management Decisions on Single Audits:* The Department provides over \$1 billion each year in funding for grants, cooperative agreements, Indian self-determination contracts, and Indian self-governance compacts to state and local governments, Indian tribes, colleges and universities, and other nonprofit organizations. Over 800 single audits are conducted of Department grantees each year. All Single Audit reports are now forwarded to the federal Single Audit Clearinghouse. Those with findings and recommendations requiring OIG and/or bureau actions are forwarded by the Clearinghouse to the OIG. These actions include resolving deficiencies identified in the audit

report, and determining the allowability of any expenditure of federal funds which have been questioned by the auditor. By the end of FY 2001, the Department expects to be successful in closing approximately 90 percent of the single audits referred for action by the Clearinghouse.

- *Collected and Offset Disallowed Costs in Single Audits:* The Department has made good progress in collecting and closing single audits with disallowed costs. During FY 2001, the Department expects to close approximately 75 percent of these audits and collect 52 percent (\$6.1 million) in disallowed costs.
- *Improved the Closure Rate of Internal Audits:* Internal audits are audits conducted by the OIG of the programs, organizations, financial, and administrative operations of the Department. During FY 2001, over 90 of these audits were being tracked and monitored. The Department expects to close 40 percent (36 audits) and over 35 percent of all audit recommendations by the end of the fiscal year.
- *Reached Timely Management Decisions on Internal Audits:* The Department has made steady progress in reducing the number of pending internal audits with unimplemented recommendations greater than one-year old. With the help of the Interior Management Council, the 10 oldest audits in tracking at the beginning of the fiscal year will be closed by the end of FY 2001. As a result of this aggressive monitoring activity, the total number of audits in this category are expected to decline by approximately 70 percent for the year. Those audits still pending involve recommendations with long-term and multi-faceted corrective actions, or are subject to policy and or regulatory changes.
- *Improved the Implementation Rate of GAO Audit Recommendations:* General Accounting Office audits are a major component of the Department's annual audit follow-up program workload. During FY 2001, 21 final audit reports are expected to be issued. These audits will contain 40 recommendations of which 38 percent (15) are expected to be implemented by the end of the fiscal year. Some of the remaining recommendations involve actions that may be cost-prohibitive and/or represent policy changes for further deliberation by the new Administration.

Ongoing Actions

- Complete 12 quality control reviews of non-federal audits each fiscal year, subject to resource availability.
- Continue to improve the rate of implementing audit recommendations, collecting disallowed costs, and closing audits.
- Initiate appropriate actions to facilitate mutual agreements on audit recommendations and corrective actions between OIG and GAO auditors and bureau and office management before final audit reports are issued. This action should substantially reduce the number of audit recommendations referred to the Department for final resolution and promote more timely implementation of audit recommendations.
- Accelerate Department validation of the implementation of audit recommendations and corrective actions.

Planned Actions

FY 2002 Planned Actions

- Institute a quarterly status reporting program with bureaus and offices to better support the accountability goals of the new Administration, and the oversight performed by the Department's Management Control and Audit Follow-up Council,
- Complete the development and issuance of a Departmental Management Control and Audit Follow-up Handbook.

CHAPTER 6. DEVELOPING FINANCIAL HUMAN RESOURCES

GOAL: *Build and maintain a highly qualified financial management workforce in the Department to support program managers' financial management needs.*

The decade of the 1990s brought significant legislation and organizational rightsizing to the federal community. Both rightsizing and the legislative requirements of the CFO Act, GPRA, and GMRA increased the demands on financial management personnel. It is imperative that personnel responsible for the administration of the Department's financial resources continuously develop and upgrade skills to meet the challenges imposed by internal and external forces.

To assist the Department financial management personnel in achieving the skills needed to operate in a changing environment, the Department is committed to developing and maintaining a cadre of highly skilled financial management personnel. To that end, and to ensure a strong and effective financial management program, the Interior CFO Council provides guidance to the Office of Financial Management in developing an overall training and development plan for the Department.

To facilitate the development and implementation of a training and development plan, the Department has designated a Training Coordinator within the Department of the Interior University (DOIU) to work with the Office of Financial Management to implement the plan. The DOIU delivers services through:

- DOIU Learning Centers located in Washington, D.C.; Anchorage, Alaska; Denver, Colorado; and Albuquerque, New Mexico.
- DOIU On-line Learning Center, provides new delivery methods (e.g., distance learning, Internet training) to enable the Department to reach more employees - any time, any place and at any pace.
- DOIU Leadership Institute manages the Department's formal career development programs, the Team Leadership Program (TLP), the Senior Executive Service Career Development Program (SESCDP), and the Acquisition Intern Programs (AIP). The Institute manages the AIP on a governmentwide and departmentwide basis.

The Training Coordinator directs the Department's Financial Management Training and Development Program (FMTDP), schedules financial management training, locates and reserves training sites, identifies instructors and on-the-job training experiences, tracks and records participants' training, reviews and maintains participant's Individual Development Plans (IDPs), prepares and distributes training certificates, and monitors and responds to program evaluation and feedback. The Training Coordinator also serves as the Department's liaison to the governmentwide CFO Council for Human Resources, the Joint Financial

Management Improvement Program (JFMIP), the Association of Government Accountants, the Training Officers Conference, the American Association for Training and Development, and professional organizations related to financial management.

The focus of the FMTDP Training Coordinator is to improve the skill levels and increase the availability of personnel throughout the Department to support financial management functions and to better serve the financial management needs of program managers and others responsible for carrying out the mission of the Department. Improvement will be made in two areas:

- Sponsoring comprehensive training programs in financial management that deliver effective training to financial managers and their staff throughout the Department to improve the skills and knowledge and to enable financial management personnel to perform their jobs in an excellent manner.
- Increasing the availability and diversity of qualified accounting, financial systems, and other financial personnel to ensure adequate human resources are available to carry out financial management responsibilities.

Sponsoring Comprehensive Training Programs in Financial Management

The primary objective of the Financial Management Training and Development Program is to provide proper training and professional development opportunities to financial management personnel so that they are properly prepared to carry out their growing responsibilities. The Department's training program provides information on external training courses, provides cost effective training to Interior bureau personnel through the use of internal instructors or external instructors, and develops special training programs to address individual bureau needs.

The Department will expand the training and development program over the next five years by developing a comprehensive training program built on the JFMIP core competencies, aggressively publicizing financial management and related training opportunities and encouraging employees to avail themselves of personal and professional development opportunities. The Department, through the program, will prepare new financial management employees for current and future challenges in financial management and enhance the financial management skills of senior financial managers. To assist in that effort, the Department will offer an array of training in accounting, governmental accounting, budgeting, financial analysis, project management, team building, and problem solving techniques. The program continually analyzes training results and makes appropriate curriculum revisions and reports periodically on the results of the financial management training and development program to Bureau CFOs, DCFOs, and Finance Officers.

FY 2001 Accomplishments

- *Budget/Finance Seminar:* The Finance Officers' Partnership, in conjunction with the newly established Budget Execution Working Group, sponsored the Department's first joint Budget/Finance Seminar. Approximately 170 Department personnel participated in the June 2001 seminar which was designed to provide a training forum for budget and

finance to share the key components and common problems of budget reporting and financial reporting, and to increase the understanding of their critical interrelationships. Additionally, there was a follow-on finance specific session which focused on critical issues/problems related to financial reporting. The Office of Management and Budget and Treasury's Financial Management Service also participated in this effort. Seminar participants overwhelmingly rated the seminar as very good or excellent.

- *Web Site for Course Offerings:* The Office of Financial Management Web site (<http://www.doi.gov/pfm/training.html>) was used to disseminate course offerings throughout the Department and to other agencies. The Web site was also used to advertise and register participants for the June 2001 seminar.
- Under the leadership of the Finance Officers' Partnership, identified formal accounting staff developmental training based on the JFMIP core competencies.
- Developed a long-range training plan for Interior financial management personnel based on the published core competencies for accountants. The training plan includes recommended training for entry level, mid-level, and senior level accountants, with initial resources being used for entry level and mid-level training.
- Conducted training courses in the following subject areas:
 - Appropriations Law
 - Standard General Ledger
 - Dollars and Sense
- Trained 176 staff members at DOIU's Washington, Denver, and Albuquerque Learning Centers.
- Worked with the Department of Treasury's Center for Applied Financial Management to develop a one day overview of federal financial management for Interior employees. This course was conducted three times in FY 2001 with requests for additional offerings for FY 2002.
- Conducted a two-day seminar to introduce the audit contractor to the Department and bureaus. The seminar provided an overview of organizational structures as well as program missions and goals. It also introduced the Department's common use systems and presented a framework for financial management reporting.
- Promoted the use of more seminars and workshops sessions lead by the Department's financial management personnel to facilitate working group training, new idea development, and sharing of best practices.
- Researched linking the Department's financial management community to other sites providing information on training and career development in federal financial management through the Department's Office of Financial Management Web site.

Planned Actions

FY 2002 Planned Activities

- Develop an Individual Development Plan (IDP) based on the long-term training plan and design a formal process for using the IDPs to ensure that financial management personnel receive cross training. Use the certification component of the Financial Management Training and Development Program to ensure that Interior bureau finance and budget officers cross-train and cross-utilize financial management managers and staff.
- Conduct a Web-based needs assessment for the financial management community.
- Schedule and conduct courses to include:
 - Standard General Ledger
 - Dollars and Sense
 - Appropriations Law
 - Vendor Audit Training
 - Cost Accounting
 - Travel
- Begin development of an introductory course in Interior Financial Management to include individual modules on such topics as accounting, reporting, budget formulation, budget execution, etc.

FY 2003 and Beyond Planned Activities

- Continue to encourage the use of nontraditional approaches to provide additional training and career development opportunities for the Department's financial management community. Opportunities should be available for entry level, mid level, and senior level personnel.
- Continue to work with Office of Personnel Management and the Department's Office of Personnel Policy to establish the CFO Council's core competencies for financial management as the criteria for job selection, promotion, and training.
- Encourage and support participation in the Department's Team Leadership Program (TLP) and Senior Executive Leadership Program (SESCDP).

Increase the Availability and Diversity of Qualified Accounting, Financial Systems, and Other Financial Personnel

The second focus of the Human Resource Program is to support the need for additional qualified accounting, financial systems, and other financial personnel to fill critical vacancies anticipated over the next few years. Currently, the Department has or expects to have over 50 vacant positions as a result of projected retirements by financial management personnel over the next several years. The plan will be to build and increase the quality, availability, and diversity of entry level personnel and to improve the recruitment of mid and senior level staff. This support will include establishing a Financial Management Intern Program to

recruit and train entry level individuals for professional careers in accounting and financial management in the Department and bureaus. This is a new program for the Department and will take advantage of the knowledge of the DOIU in developing and managing such programs and programs established on a governmentwide basis such as those being established by the CFO Human Resources Committee.

FY 2001 Accomplishments

- Continued to partner with the CFO Human Resources Committee in the CFO Recruitment Consortium, designed to recruit top quality entry level personnel for the federal financial management community. Recruitment efforts will continue through the fall and early winter of 2001/2002. This will be an annual event.
- Increased efforts to effectively coordinate a departmental financial management recruitment effort to fill current vacancies in the Washington, D.C. and Denver, Colorado areas.
- Designed the entry level intern program to include: objectives, duration of the program, target population for selection, rotational assignments, number of hours of technical and nontechnical training, mentors, full performance level of graduates, and the budget requirements.
- Established a Memorandum of Understanding with DOI University to implement the Financial Management Intern Program. The program will be designed as a two-year program of professional development through academic and on-the-job training. Emphasis will be on practical work experience and rotational assignments with supplemental academic training, and cross-training for a broad perspective of Interior's financial management process.
- Developed and used Interior recruitment materials for careers in financial management for accountants and financial analysts.

Planned Actions

FY 2002 Planned Activities

- Update brochures for marketing the Internship program.
- Recruit for the first class of Interior Financial Management Interns. Currently, there are plans for 11 interns with nine bureaus participating in the new program.
- Conduct the first class of financial management interns.
- Hold orientation, develop IDPs, assign mentors, and begin training and rotational assignments.
- Design and implement a financial management mentoring program at all levels.
- Improve the management of the vacancy announcement and selection process through a more coordinated recruiting program within the Department.

- Explore with the Department's financial management community ways to increase the knowledge and skills of the current workforce or retrain the current workforce where trends show specific jobs will disappear or be transformed.
- Establish an ongoing relationship with local colleges and universities in the Washington, D.C. and Denver, Colorado areas to provide a continuous vehicle for qualified financial management personnel to join the Department and/or the federal workforce.
- Continue to work with local universities, nonprofit student placement agencies, the Department's Human Resource Division, and budget offices to recruit junior persons to student internship positions in financial management.
- Continue to partner with the CFO Human Resources Committee to recruit top quality entry level personnel for the Department's financial management community.

FY 2003 and Beyond Planned Activities

- Improve/expand the on-going relationship with colleges and universities in the Denver, Colorado and Washington, D.C. communities
- Continue efforts to develop and implement Interior-specific training modules in financial management education using subject matter expertise.
- Design mid and senior level recruitment/retention programs with phased-in approach to provide sources for filling mid and senior level positions as they open up due to retirements or departures.
- Implement the first phase of the mid and senior level recruitment/retention programs.
- Graduate the first class of Financial Management Interns.
- Begin the second class of Financial Management Interns.
- Implement additional phases of the mid and senior level recruitment program.

CHAPTER 7. MANAGING RECEIVABLES, COSTS, AND COLLECTIONS

GOAL: *Bill and collect amounts due the federal government in accordance with applicable laws and regulations and capture costs to meet reporting and management needs of the Department.*

Effective management of receivables, costs, and collections is a critical component of the Department's overall ability to account for its financial resources and to efficiently use those resources to fulfill Interior's mission and perform its programs in an effective manner. The Department's overall goals include billing and collecting amounts due the federal government in accordance with applicable laws and regulations, and to track and report costs for management purposes. Interior continues to make progress in achieving these goals.

Accounts Receivable

The Department continues to make significant progress in its collection and receivable management activities. Over 70 percent of the Department's receivables originate from the enforcement of laws and regulations and audit findings. The remaining 30 percent originates from loans (direct and guaranteed) and the sale of goods and services. Consequently, traditional receivable management procedures and safeguards, such as credit worthiness checks, are often not applicable.

The Department has been working closely with the U.S. Treasury to refer its delinquent receivables over 180 days past due to the Financial Management Service for cross-servicing and/or offset in accordance with the Debt Collection Improvement Act of 1996. All bureaus and offices are currently in the process of referring eligible delinquent receivables to the U.S. Treasury for collection. A monthly reporting system has been established by the Department to monitor performance.

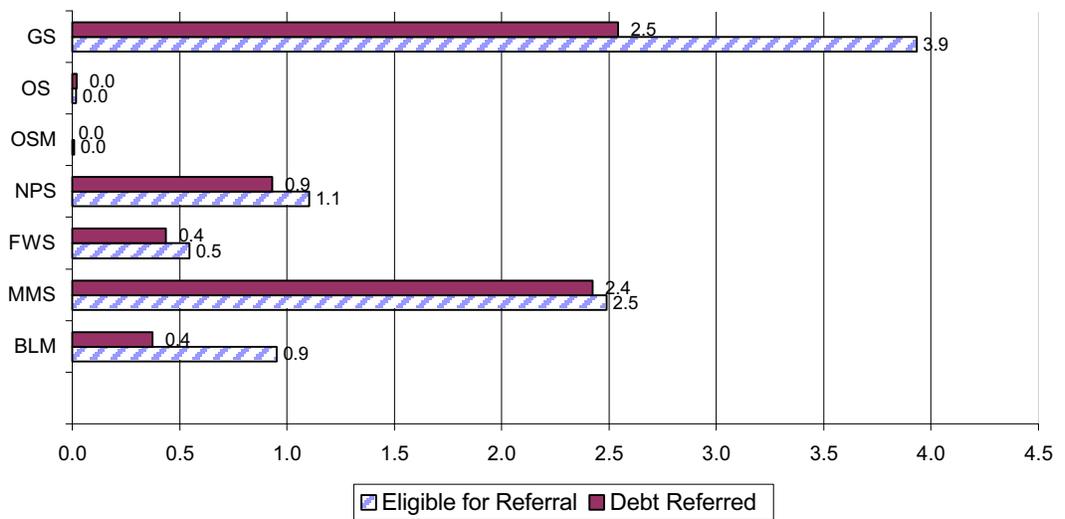
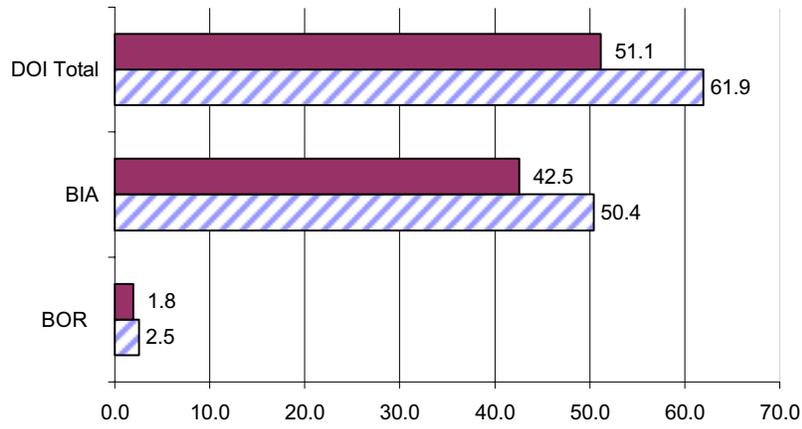
Exhibit 7-1 summarizes Department and bureau-level debt referral performance as of June 30, 2001:

FY 2001 Accomplishments

- As of June 30, 2001, referred 83 percent of the 180 day delinquent debt to the U.S. Treasury for cross-servicing in accordance with the Debt Collection Act of 1996.
- Continued a special initiative to confirm and refer appropriate Bureau of Indian Affairs (BIA) irrigation-related delinquent debts to the U.S. Treasury for cross-servicing.

Exhibit 7-1

Department of the Interior
 Monthly Debt Management Report
 June 30, 2001
 (dollars in millions)



Planned Actions

Ongoing Activities

- Work with BIA to refer irrigation-related delinquent debts to the U.S. Treasury.
- Refer 90 percent of all eligible delinquent receivables over 180 days past due to the U.S. Treasury for collection via cross-servicing and/or offset.
- Encourage one Interior bureau to establish a cross-servicing agreement with Treasury's Financial Management Service to refer delinquent debt after 60 days (rather than 180 days) for cross-servicing.

Cost Accounting and Cost Management

The Department performs a significant number of tasks on a reimbursable basis including interagency agreements, agreements with state and local jurisdictions, Franchise Fund, Working Capital Fund, and user charge activities. A departmentwide Cost Accounting Work Group was established to begin implementation of SFFAS No. 4, "Managerial Cost Accounting," in FY 1998 and make necessary refinements thereafter. SFFAS No. 4, coupled with the requirements of the Government Performance and Results Act, was a major focus in FY 2000. In addition, cost accounting policies were issued related to FY 2000 financial statements. These policies will be updated as further refinements are identified.

In addition to accounting for costs, cost management is important to the Department. Listed below are some examples of the Department's efforts to minimize costs, particularly administrative costs:

- ***Control Unemployment Compensation Costs:*** For a number of years, Interior has used a contractor to: (a) verify employment, (b) process protests and appeals, (c) verify state data, and (d) produce management reports.
- ***Prepayment Voucher Audit of Government Bills of Lading:*** The Department is continuing to use and expand the use of a contractor to perform prepayment voucher audits of Government Bills of Lading. Since the start of the of the prepayment audit program in FY 1995, the Department has generated estimated savings of \$2.8 million.
- ***Reduce Late Payment Penalties:*** For the past two years, the Department has engaged in an intensive effort to reduce its late payments and late payment penalties under the Prompt Payment Act (see Chapter 8 for additional information on this initiative).
- ***Use Plastic Card Technology:*** The Department initiated a multiple year contract in November 1999 with the Bank of America for a single card program to finance small purchases, travel, and fleet activities. This effort has greatly streamlined the processes related to procurement, travel, and fleet management and empowered field managers. Since the Bank is paid daily and extensive risk mitigation controls are in place, the Department receives substantial rebates from the contractor to use to invest in further program improvement efforts. (See Chapter 8 for additional information on this initiative).

- *Cross-Servicing Opportunities:* In an effort to take advantage of “economies of scale”, the Department cross-services its bureaus and other federal entities via reimbursable service agreements and the Interior Franchise Fund. Some examples of these activities include: Payroll Services, Cooperative Administrative Support Units, and Financial Systems. (See Chapter 8 for additional information).
- *Benchmarking Selected Activities:* In an effort to compare Interior's Financial Processes, the Department has participated in the Hackett Group benchmarking program. Participating in this study has helped identify best practices for selected financial processes for the Department to consider and make necessary adjustments to improve operating efficiency and minimize the costs of financial-related processes. (See Overview for additional information).

FY 2001 Accomplishments

- Integrated performance information with cost data at the responsibility segment level in the Department's FY 2000 Annual Accountability Report and Bureaus' FY 2000 Annual Financial Statements.
- Estimated program savings (net of contractor costs) for FY 2001 for controlling unemployment compensation costs will be approximately \$1.4 million.
- Program benefit-to-cost ratio of the prepayment Government Bill of Lading voucher audit program yielded a ratio of \$161 for \$1 in FY 2001.

Planned Actions

Ongoing Activities

- Concentrate efforts on cost tracking and reporting of cost information to support program managers' needs.
- Continue the departmental effort to control unemployment compensation costs through the use of a contractor.
- Continue the departmental effort to control Government Bills of Lading costs through the use of a contractor.
- Establish departmentwide cost accounting policies and procedures for annual reporting to the Federal Energy Regulatory Commission under the Federal Power Act.
- Improve cost accounting practices in areas where fees are charged for services to achieve full cost recovery.
- Review the alignment of budget, cost accounting, and GPRA requirements to further improve both planning and reporting of cost and performance data.

- Implement departmentwide cost accounting policies and procedures for annual reporting to the Federal Energy Regulatory Commission under the Federal Power Act.

User Fee and Cost Recovery Activities

The Department administers a substantial user charge program. Annually, the Department collects fees of almost \$600 million from approximately 100 cost recovery activities, and approximately \$9 billion from other user fee activities including royalties, rents, and bonuses related to minerals, timber, and other uses of federal lands. Since FY 1993, cost recovery has increased by almost \$200 million. Based on biennial review data, the Department maintains and updates a database of approximately 150 user charge activities. The database includes descriptions of the activities, estimated annual collections, pricing structure, legal authority, contact personnel, and other pertinent information.

In FY 2001, the Department conducted its annual review of cost recovery activities in accordance with the CFO Act. The National Park Service, the Fish and Wildlife Service, and the Bureau of Land Management were authorized under the Omnibus Consolidated Rescissions and Appropriations Act of 1996 to develop new and expanded fee collection sites as part of a three-year recreation fee demonstration program. The purpose of the demonstration program is to explore the feasibility of collecting additional user fees to offset the costs of administering recreational opportunities on federal public lands. The new fees will be used primarily to address repair and maintenance backlogs in participating parks and sites. Due to the promising results thus far, the fee demonstration program has been extended to September 30, 2001.

FY 2001 Accomplishments

- Performed a review of all cost recovery activities, updated the departmentwide user fee database, and completed a summary report of cost recovery activities based on FY 2000 results.
- Issued an update to the Departmental Manual to reflect the latest guidance under OMB Circular A-25.

FY 2002 Planned Activities

- Conduct the biennial review of all user charge activities required by the CFO Act. The Department will continue collaborative efforts both inter- and intra-departmental regarding implementation of the Managerial Cost Accounting Standard, SFFAS No.4.

Unclaimed Assets Recovery

During the summer of 1999, using a ten-week intern, an effort was initiated to recover unclaimed assets of the Department. Unclaimed assets are assets that have been transferred to states by the U.S. Postal Service, U.S. Courts, or other entities and have not been identified by their owners. Some of these assets belong to the federal government. The Department is attempting to recover unclaimed assets related to Interior programs.

FY 2001 Accomplishments

- Contacted states where it was determined that departmental assets were being held as unclaimed. Over \$100,000 has been recovered by this effort.

Planned Actions

- Annually follow-up with the states to identify and claim any unclaimed assets due the Department.
- Continue to file claims with states that have identified unclaimed assets of the Department.

CHAPTER 8. MODERNIZING PAYMENT PROCESSING AND BUSINESS METHODS

GOAL: *Modernize payment processing and business practices by leveraging successful government and private sector technology innovations and process reengineering opportunities.*

Rapid technological changes and process re-engineering have contributed greatly to the continuous modernization of payment processing and business methods/practices. Such efforts, while beneficial on their own, have been particularly useful during the downsizing of the federal workforce. Moreover, it is the Department's goal to provide competitive and cost-effective services to its customers. The Department has established multiple initiatives that seek to eliminate outmoded approaches, maintain only essential elements and services, and use state-of-the-art technology to yield maximum benefits to the American taxpayer.

The essential elements of the program to modernize business methods and payment processes are:

- Streamlining financial and administrative processes.
- Using technology to improve the efficiency of payment processes.
- Re-writing departmental policy and guidance to empower employees and eliminate unnecessary process steps.
- Identifying high payoff areas for streamlining processes and upgrading technology.
- Providing assistance to bureaus in developing requirements.
- Measuring performance.
- Working with central agencies to develop long term strategies for process and systems modernization.

Improving Cash Receipts Processing

Due to the Department's substantial revenue-producing activities, efforts have focused on improving collections and processing/depositing of cash receipts rapidly. A key emphasis of the Department's cash management program has been to accelerate cash receipts by requiring payments via wire or electronic transfer. In addition to using electronic transfers, the Department has worked cooperatively with the U.S. Treasury to establish several lockbox systems and plastic card collection networks to collect timber fees, abandoned mine land fees, water sales, park entrance fees, construction cost repayments, and State and local government reimbursements.

FY 2001 Accomplishments

- Implemented Goals II (August 2001) and IPAC (September 2001).
- Performed an in-depth review of the Department's cash collection processing. The review covered all field offices from receipt of funds through the proper application of the payment in the appropriate fund account.
- Began using Pay.Gov for royalty payments for the Mineral Management Service's Royalty Management Program.

Planned Actions

- Continue to use the Plastic Card Collection Network (PCCN) and Automated Clearing-house for collecting funds due the Department.
- Continue the use of Pay.Gov and expand its use for royalty payments for the Mineral Management Service's Royalty Management Program.

Improving Payment Processes

In performing its basic missions, the Department annually processes over two million (non-payroll related) payments which account for expenditures in excess of \$3.5 billion each year to organizations that provide products and services to the Department. Collectively, these payments cover a broad range of payment categories (i.e., payments to vendors, payments to other federal agencies, reimbursements, grants, contracts, purchase orders), and involve an equally broad and growing array of available alternative payment mechanisms which include U.S. Treasury checks, third party drafts, electronic funds transfers, and charge cards. The Department is seeking to improve its internal controls over payments and minimize any improper payments.

In recent years, payment processes have been positively impacted by technological advances. The Department has been an active participant in the governmentwide Electronic Commerce pilot program, and has developed capabilities that will allow the Department to fully capitalize on this promising technology once governmentwide standards are in place.

The Department has embraced the use of plastic card technology as an enabling agent to improve service to customers while improving the overall efficiency of the payments process. The growth in the dollar volume of payments made through the charge card program has increased substantially in recent years, to an annualized level of approximately \$600 million in 2001. The growth trend in the use of charge cards is expected to continue during the next five years. In addition to the decrease in finance and field office workload associated with the reduction in the number of payments that must be made, the increased use of charge cards has virtually eliminated the need to issue travel advances to employees; reduced the number and amount of late payment penalties associated with the Prompt Payment Act; substantially improved the Department's EFT performance in complying with the Debt Collection Improvement Act of 1996; reduced the number of procurement activities; and, has provided additional benefits through volume-based charge card refunds which accrue to the Department.

The Department continued to expand and improve its implementation of the SmartPay charge card program in FY 2001 by improving and maintaining the electronic interface to its financial systems to support daily invoicing and daily payment. As the largest fully integrated charge card program in the federal government, the Department served as an advisor to other federal agencies to relate the improvement initiatives in the program including diversion accounts, split disbursement, and central billing of most categories of travel cost, including successful pilot testing of centrally-billed lodging costs.

FY 2001 Accomplishments

- Continued to improve the SmartPay Program to achieve daily payment of charge card invoices and improved the electronic interface to bureau core accounting systems.
- Received the Business Solutions in the Public Interest award for the SmartPay Program.
- Continued to make progress in compliance with electronic funds transfer (EFT) and taxpayer identification number requirements of the Debt Collection Improvement Act of 1996 (DCIA).
- Continued use of a departmental electronic funds transfer tracking system to measure progress towards increasing the number of payments made electronically. As of June 30, 2001, 82.4 percent of vendor payments were made via EFT, an increase of 5.9 percent over last year.
- Began a process to determine the reasons for and to minimize improper payments from occurring. If an improper payment does occur, pursue recovery of the amounts over paid.

Planned Actions

- Pursue additional opportunities for streamlining and re-engineering administrative functions. Potential areas include:
 - Increase use of electronic malls for purchasing.
 - Additional streamlining of the travel process through direct (central) payments.
- Continue to eliminate imprest funds to the maximum extent possible and limit the use of Third Party Drafts and Convenience checks.
- Continue efforts to implement the electronic payment requirements of the Debt Collection Improvement Act of 1996.
- Continue to participate in the governmentwide effort to standardize federal grant payment systems. Interior bureaus will begin preparations to convert to one of two governmentwide grant payment systems: Treasury's Automated Standard Application for Payments System or the Department of Health and Human Services' Payment Management System). Implementation is scheduled to be completed by October 1, 2002.

- Institute a performance measurement process to identify the number and amount of improper payments.

Preventing Erroneous Payments

The President's Management Agenda identifies erroneous benefit and assistance payments as a governmentwide issue. OMB Circular A-11 defines "Erroneous payments" as payments made under the programs listed in Exhibit 57 that should not have been made or were made for an incorrect amount. Examples of erroneous payments include payments to ineligible persons or the wrong organization, payments in the wrong amount, payments for ineligible services, duplicate or other overpayments, and payments for services never received. Erroneous payments may be due to procedural or administrative errors made by the payor (e.g. providing incorrect account numbers in payment instructions) or errors or fraud by payees or claimants (e.g., under reporting of income by beneficiary). Covered payments included overpayments and underpayments made by the federal government, its direct contractors, and by States or to other grant recipients administering federal program. (Source OMB Circular A-11 Section 57).

Although the Department does not have any programs identified in Exhibit 57, the Department makes financial assistance payments under a variety of programs and makes payments to vendors for goods and services. Interior does not make recurring entitlement payments.

Based on the Department's initial assessment, we are not aware of any major problems with erroneous payments. However, from time-to-time duplicate payments or payments in the wrong amount may be made. In such cases, we pursue collection of identified overpayments.

Planned Activities

In order to better assess the Department's performance in the area of erroneous payments Interior has established a goal to have not erroneous payments. Specifically, the Department has established the following objectives:

- *Financial Assistance Programs:* The annual target for payments made to external parties associated with Interior's Financial Assistance programs will be to maintain adequate controls over Federal Assistance payment processes to ensure any erroneous payments are kept below .05% of the program area as measured by audit disallowances and 60% of the disallowances are returned to the government.
- *Non-Financial Assistance Payments:* The target related to non-financial assistance payments will be to increase the number of pre-audit and post-audit programs related to employee or vendor payments to better monitor these activities beyond the single program for GBL payments.

These measures will be monitored and adjusted as necessary to appropriately respond to the intent of the President's Management Agenda.

Continuing to Improve Prompt Payment Performance

Acknowledging the need to improve the Department's prompt payment performance, Interior created a departmentwide team to determine the causes of late payments. After analyzing the payment process, four areas were identified as critical to achieving significant improvement. The areas identified were reviewed and discussed on a departmentwide basis with the sharing of best practices. The areas identified were as follows:

- Evaluating and tracking quality control systems.
- Updating guidelines and providing additional staff training.
- Identifying large dollar volume vendors; recurring payments, and/or utilizing fast pay.
- Improving payment processing (including front-end procurement processing, increased communication between procurement and finance staffs, and remote data entry in field offices).

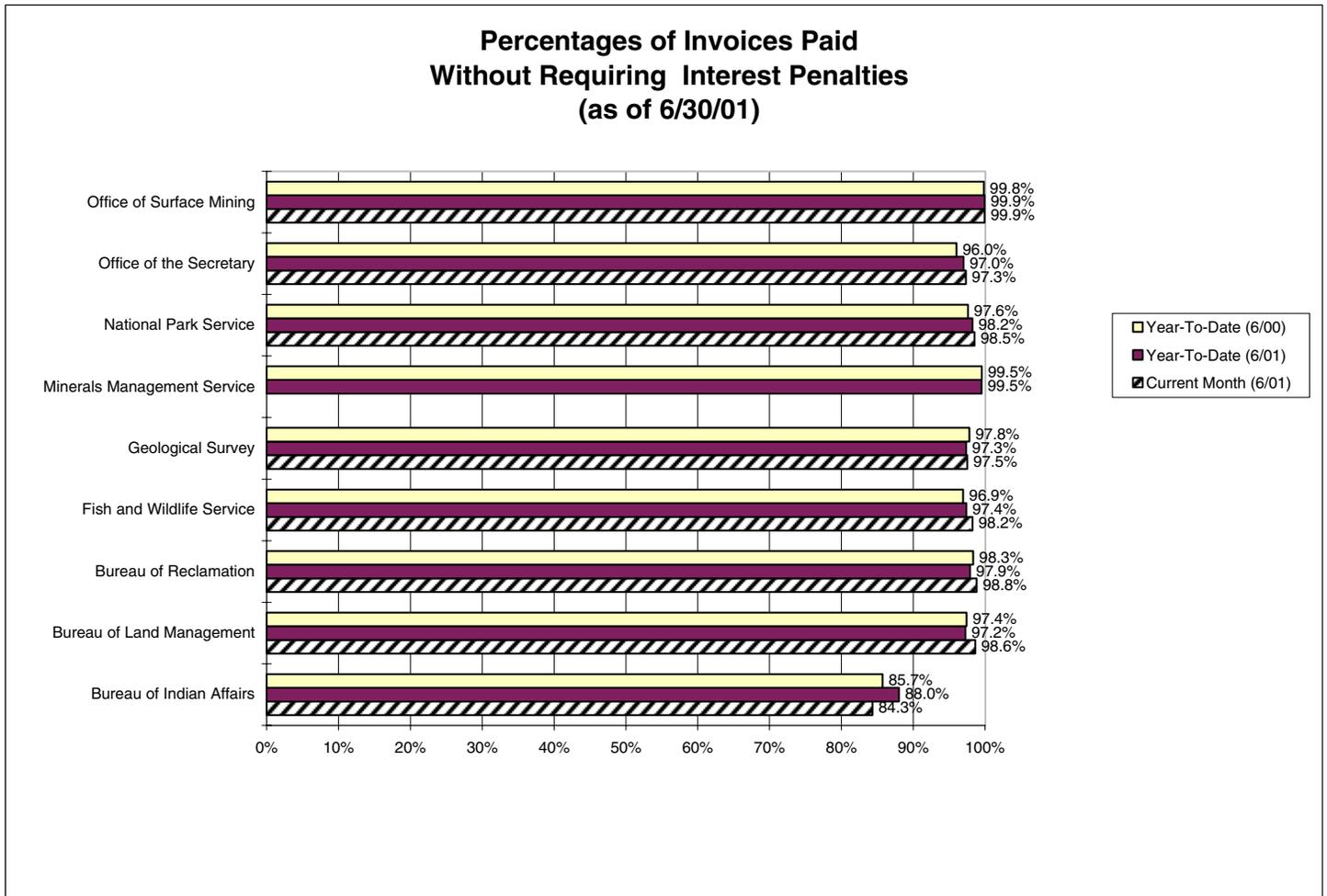
FY 2001 Accomplishments

- As of June 30, 2001, the Department achieved an overall 98 percent rate of invoice payments that do not require late penalties under the Prompt Payment Act (see *Exhibit 8-1*).

Planned Actions

- Continue to collect monthly prompt payment reports from the bureaus to monitor performance. If results are unsatisfactory, the Department will take corrective actions.
- Reduce the number of interest penalties and increase the use of electronic payment mechanisms by increasing the use of purchase cards and paying more invoices under "Fast Payment" procedures.
- Continue to closely monitor bureau performance until each bureau of the Department is consistently able to pay at least 97 percent of all payments on-time without incurring late penalties required by the Prompt Payment Act. Five of the Department's nine bureaus have consistently been able to achieve a greater than 97 percent on-time payment history.

Exhibit 8-1



Reducing Delinquent Charge Card Accounts

Acknowledging the need to improve the Department's performance in the area of 60 days and over delinquent charge card accounts, Interior has created a departmentwide goal to reduce the delinquencies to 2 percent. After analyzing the options, four areas were identified as critical to achieving significant improvement. The areas identified were as follows:

- Monthly Reporting of Delinquencies (including Charge-Off accounts) to Management
- Providing additional approving official and employee (traveler) training.
- Identifying former employees to the charge card contractor and excluding former employees from the Department's performance goal.
- Implementing salary offset for recovery of delinquent charge card accounts based on a request from the contractor.

FY 2001 Accomplishments:

- Implemented salary offset for recovery of delinquent charge card accounts based on a request from the contractor.
- Implemented improved management reporting by including charge-off accounts and removing former employees of the Department.

Planned Actions

- Continuing to collect monthly prompt payment reports from the bureaus to monitor performance. If results are unsatisfactory, the Department will take corrective actions.
- Continue to reduce the amount of 60 days and older delinquent charge card accounts to 1% of the total outstanding balance by bureau (excluding former employees).
- Investigate the use of payroll offset from an employee's final paycheck as a method to collect as much delinquent charge card debt as possible.
- Strengthen exit clearance processing to close charge card accounts and attempt to get the employee to pay any outstanding amount to the charge card contractor.

Maximizing Opportunities for Utilizing Electronic Commerce

Interior has continued to aggressively pursue the mandate to streamline procurement through the use of Electronic Commerce (EC) by implementing EC capabilities in all major buying offices and many small field offices in the Department. This is part of the successful implementation of the IDEAS project (see Chapter 3) for automation of procurement functions and the developing capabilities of the EC21 project, focusing on electronic payments. The IDEAS project is fully implemented in all major buying offices of the Department and is being further enhanced in coordination with bureau and client agency users.

Electronic commerce capabilities available through IDEAS and EC21 include solicitation, awards, notifications, invoices, receiving reports, data reporting, and payments. Purchase card transactions are a major part of the Department's move to electronic commerce. Transactions in this mode have increased from 96,000 in FY 1993 to over 1.2 million in FY 2000, an increase of more than twelve-fold. Dollars awarded through purchase cards in the same time frame increased from \$17 million to \$392 million, an increase of more than 23-fold.

In FY 1999, 87.1 percent of all small purchase actions under \$25,000 and 51.2 percent of the dollar value of all such actions were made with the purchase card. In FY 2000, these percentages increased to 94.4 percent and 65.4 percent respectively. The Department has a long-term goal of 90 percent of all purchases under \$2,500 made with a purchase card. By reaching 94.4 percent of all purchase transactions of \$25,000 or less done by purchase card and electronic purchase orders, Interior has surpassed its original goal of such actions by EC.

FY 2001 Accomplishments

- Increased electronic management and oversight of the SmartPay Program (commonly called the DOI Integrated Charge Card Program) through a partnership between the Interior travel, acquisition, and property programs with Bank of America.
- Implemented five new on-line management control reports (five additional reports are expected to be fully operational in late FY 2001).
- Received approximately \$6.1 million in rebates, an increase of about \$2 million over FY 1999.
- See Chapter 3, page 25, for IDEAS accomplishments.

Planned FY 2002 Actions

- Continue with an integrated card solution for the purchase, travel, and fleet business lines under GSA's new SmartPay program.
- Continue with outsourcing the responsibility for charge card transaction processing to the Bank of America.
- Provide Web-based access for transaction information to Interior's purchase, travel, and fleet card holders.
- Continue consolidating the account setup and maintenance functions for the travel, purchase and fleet business lines.
- Continue automating the reconciliation process for centrally-billed accounts.
- Continue implementing an automated interface for all charge card transactions to the Department's accounting systems.
- Develop the necessary electronic exception reports to preserve the financial integrity of programs.
- Maintain a "daily pay" capability.
- Strive to increase usage of Web-based electronic commerce by all remaining major purchasing offices.
- Implement IDEAS-EC link to the designated governmentwide point of entry for all required solicitations and synopses.
- Assess the additional capabilities of the new charge card contract and determine which features to implement, including smart card features.

Shared-Service Organizations

The Department provides commonly required administrative products and services to Interior and non-Interior clients through shared-service operations. The National Business Center (NBC) and the Minerals Management Service (MMS) provide critical shared services to various Interior bureaus. In addition, the Interior Franchise Fund (IFF) provides selected services to non-Interior customers. The IFF uses both the NBC and MMS as service providers.

National Business Center

The National Business Center (NBC) is the result of merging three administrative service centers in three different bureaus into one service provider located within the Department. The NBC provides services related to such automated systems as the Federal Personnel Payroll System (FPPS); Federal Financial System (FFS); Fixed Assets and Inventory Subsystems; Interior Department Electronic Acquisition System (IDEAS); Federal Procurement Data System (FPDS); electronic commerce, electronic time and attendance system (QuikTime); mainframe timesharing; and Internet publishing. The NBC also provides accounting services, including operational reviews, requirement analysis Treasury reporting, training, and quality assurance; transportation and travel services; property management services; mail management services; printing and graphics services; information resources management systems and services; document management services; telecommunications; quarters management; facilities management services, including space planning, leasing and alteration services and building maintenance; acquisition services; training and development services through four learning centers managed by the DOI University; and specialized employee services such as security clearances, medical services, drug testing and Office of Workers' Compensation Programs (OWCP) case management. The NBC operates on a full cost-recovery business basis.

FY 2001 Accomplishments

- Implemented the Federal Financial System (FFS) at three new non-Interior clients and one Interior client during FY 2001. Specifically, the NBC began FFS cross-servicing functions for the Farm Credit Administration (FCA), the Farm Credit System Insurance Corporation (FCSIC), the Treasury Inspector General (IG), and the DOI Inspector General (IG).
- Consolidated all of the workload on the U.S. Geological Survey's mainframe in Reston, Virginia to the NBC mainframe in Denver as of January 2001.
- Received certification from the Joint Financial Management Improvement Program (JFMIP) for the Department's version (DICAST) of the Federal Financial System (FFS). This was the first time that a federal government franchise organization actually applied and passed the JFMIP software certification test for financial management systems.
- Upgraded Hyperion Enterprise software version 5.5. A Web site was also developed and deployed for central access to all project applications, guidance, and resources.

- Implemented the FFS's Enhanced Fixed Assets Subsystem at the Drug Enforcement Administration (DEA), replacing four of their personal property systems. DEA's administrative property system was also converted to the Enhanced Fixed Assets Subsystem.
- Began Phase II of the Momentum implementation at the Architect of the Capitol.
- Implemented a Web-based version of Travel Manager (TM) along with an automated interface to FFS as an NBC pilot. Employees were trained to input travel vouchers into TM which routes the vouchers to supervisors for approval and subsequent input into FFS. Employees are now paid 2-3 days after the submission of their vouchers. The NBC has obtained provider licenses from Gelco, the system owner of TM, to cross-service clients using this product.
- *Electronic Commerce:* The NBC completed an electronic system that allows on-line credit card payment processing. This Web application records and preserves all transaction data for review and reporting; adds, modifies, and deletes application users; controls user access privileges; and allows for custom report building of transaction data. The major benefits of this application are (1) it decreases processing costs for credit card transactions; (2) is completely Web-based and portable and (3) virtually no training is required to use it.
- *Electronic Invoices:* The NBC continued to design and implement Electronic Commerce for the 21st Century (EC21). EC21 functionality was increased by the addition of the electronic receipt of Federal Express invoices as the first step in being able to receive all shipping invoices from companies who ship for the Department. This was placed into production at the U.S. Geological Survey as a pilot bureau. NBC also began adding a capability for telephone invoice receipt for telephone bills.
- *Helping volunteers:* As a service to citizens, NBC worked with the Office of Policy and Planning to design and prototype an e-Government, Web-based system that allows Interior organizations to post volunteer opportunities on a Web site; allows citizens to review these opportunities; and allows for the completion of on-line applications. Further, this system is being designed to allow all federal agencies to participate.
- *Communication of the National Fire Plan:* As part of an intergovernmental collaboration, the NBC developed an interagency Web site for the National Fire Plan, allowing better communication among various federal, state, and local entities involved in wildland fire response.
- *Helping citizens find recreational activities:* NBC, working with the Office of Policy and Planning, redesigned and continued to maintain the highly popular www.recreation.gov Web site, an award winning cross-agency Web portal that provides single-point access to all recreation opportunities on federal lands. This Web application was designed as a dynamic application that allows bureau and agency data stewards to access to and update their recreation information on-line. Additionally, the application includes an email robot designed by the NBC. This robot filters and directs email to various team members. Site usage is approximately 15,000 to 30,000 visitors per day. Current enhancements include interactive mapping and potential wireless access.

- *Accessibility:* NBC designed, developed, and deployed a Web site for the Department's Accessible Technology Center. The program supports employees with disabilities by determining the appropriate accessibility-enhancing technology and ergonomic solutions tailored to the needs of each individual. The site is hosted at <http://www.doi.gov/atc/> and is currently up and in production. The ribbon cutting ceremony for the opening of the facility was October 5, 2000. The NBC designed the entire system as well as tested all Web applications for Section 508 compliance.
- *Efficient dissemination of documents:* The Department's Electronic Library of Interior Policies (ELIPS) is a Web-based document management system. NBC worked with the Office of Policy and Planning to redesign ELIPS. ELIPS allows authorized users to upload policy directives and manage existing policy documents on-line via a Web browser. This application also includes automatic email routing, automatic scheduling for document revision and due dates, and a document archival system.
- Completed the Federal Human Resources Information System (FHRIS) project and tasked the ICRC and SAP to showcase several functional areas and implemented them in a production mode throughout the NBC.
- Modernized the FPPS by adding a commercial relational database to improve queries and reports, built a Windows-like graphical user interface (GUI), utilizing commercial-off-the-shelf (COTS) software that expanded its functionality and user friendliness.

Planned Actions

- Continue to improve the Department's credit card system. Specifically, the NBC will improve the quality and reliability of Bankcard data provided to the bureaus and will reduce the amount of reconciliation and research required by the bureaus.
- Add two new servers to the Hyperion Project for testing and load balancing. In addition, there are plans to upgrade the Windows Operating System for all Hyperion servers.
- Complete Phase 2 of the Momentum implementation at the Architect of the Capitol.
- Complete the DICAST/FFS implementations at the Nuclear Regulatory Commission (NRC), the International Boundary and Water Commission (IBWC), the Equal Employment Opportunity Commission (EEOC), the National Transportation Safety Board (NTSB), and the National Labor Relations Board (NLRB).
- Implement and convert DEA's motor vehicle property system to the FFS Enhanced Fixed Assets Subsystem.
- *On-line Credit Card Payment Processing:* The NBC plans to extend the government credit card receivables module (government as vendor of services) to allow citizens to purchase products on-line and use their credit card to pay. This will further extend the Department's use of credit card technology to improve the efficiency of accounts receivable.

- *Helping Volunteers:* As service to the citizen, complete and implement a system to allow all Interior organizations to post volunteer opportunities on a Web site, allow citizens to review these opportunities, and allow citizens to complete on-line applications.
- *Electronic Invoices:* The NBC will continue to design and implement EC21. Enhancements will increase system capabilities by adding the electronic receipt of various shipping- and telephone-company invoices. The NBC will also design and begin to implement other Web-based electronic-invoice capability, thus allowing any business to use an e-government process to bill the government for goods and services.
- Plans have been made by the NBC to implement the Travel Manager (TM) software throughout the Department in order to significantly reduce all the administrative costs associated with travel processing. TM pilot programs will be started and evaluated in each bureau before completing the implementation.
- Continue the Federal Human Resources Information System (FHRIS) project during FY 2002, adding functionality to better respond the ever-increasing needs of the Human Resources community.

Interior Franchise Fund

In 1996, the Department was authorized by OMB to establish, pursuant to the Government Management Reform Act (GMRA) of 1994, one of six franchise fund pilot programs within the federal government. The objective of the franchise fund pilot program is to ultimately reduce the cost of government to the taxpayer through providing commonly required administrative products and services to other federal agencies on a competitive, fee-for-service basis. The Interior Franchise Fund (IFF) carries out this responsibility by relying upon a network of service provider organizations. The current service provider organizations (Office of the Secretary's National Business Center and the Minerals Management Service) strive to operate in an entrepreneurial manner, consistent with OMB's "Twelve Business Principles" and can rapidly cross-service other agencies via interagency agreements. With the service providers' support, the IFF offers a suite of competitively-priced administrative systems and related support services, administrative operations, and general administrative services that are responsive to customers' needs and budgetary constraints. With almost four full years of experience, the IFF has made impressive progress towards meeting the objectives of the franchise pilot program. The Department continues to work closely with OMB, the governmentwide Chief Financial Officers' Council, and the Department's congressional committees to ensure the development of a high quality pilot program for franchise services.

The IFF provides support to customers in the following areas:

- Administrative Systems and Systems Support (Financial Management Systems Software and Support; Procurement Systems Software and Support; Property Management Systems Software and Support; Time and Attendance System Software and Support);
- Administrative Operations (Procurement Operations; Accounting Operations; Personnel Operations);

- General Purpose Computing (Computer Timesharing);
- Independent Test Verification and Validation;
- Electronic Commerce;
- Training;
- Drug and Alcohol Testing;
- Audio Visual Center Services; and
- Cooperative Administrative Support Unit (Copier Placement Program; Temporary Help; Moving Labor; Mail Delivery; Recycling; Interagency Property Center (Warehouse Interagency Transfer); Interpreters (Sign and Linguistic); Employee Assistance Program (EAP); Bar Coding and Metering of Mail; Document Imaging; Equipment Rental; Laser Cartridge Recycling; Court Reporters; Computer Maintenance and Repair; Computer Training, etc.).

FY 2001 Accomplishments

- Customer orders increased from 1,103 in FY 2000 to a projected 1,500 in FY 2000, an increase of approximately 27 percent. There were no recorded instances of dissatisfied customers leaving the IFF for another service provider.
- Revenues increased from \$122 million in FY 2000 to a projected \$175 million in FY 2001, an increase of approximately 43 percent.
- Retained earnings balance increased from \$34,000 in FY 2000 to a projected \$1.2 million in FY 2001. The substantial increase is due to the achievement of business volume significantly in excess of the break-even point for variable expenses at the service provider level and fixed and variable expenses at the fund level.

Planned Activities

- Improve the business planning process for each of the IFF business lines which includes marketing strategies, pricing analyses, performance measures, and retained earnings analyses.
- Continue to evaluate customer satisfaction and the quality of products and customer services by asking existing customers what the IFF can do better and how, with lessons learned being incorporated into future tactical plans.
- Continue to explore new products, services, and activities aimed at leveraging cutting edge technologies and maximizing future opportunities.
- Continue the effort to provide one-stop shopping for most commonly required administrative services.

Minerals Management Service

The Minerals Management Services (MMS) operates as a service provider to the Interior Franchise Fund in three major categories. In the area of procurement support services, MMS provides a complete range of procurement services from inception to closeout (i.e., request for proposals through closeout of contracts). With regard to the human resources arena, MMS performs as a “full service” third party personnel office with management support services that include classification, recruitment, appraisal and awards management, employee/labor management relations, and employee development. MMS also maintains, configures, and operates an Information Technology Training Facility that may be used by other agencies on a fee-for-service basis.

CHAPTER 9. PROVIDING DATA STEWARDSHIP

GOAL: *Ensure that financial data captured and reported is accurate, accessible, timely, and useable for decisionmaking and activity monitoring.*

Data stewardship is the process of managing information necessary to support program and financial managers, and ensuring that data captured and reported is accurate, accessible, timely, and usable for decisionmaking and activity monitoring. The objective of data stewardship policy is to synchronize data collection processes, reduce data redundancy, and increase data accessibility, availability, and flexibility in a systematic manner. Effective data stewardship requires that: (1) definitions clearly describe requirements and characteristics of data to be maintained in financial management systems; (2) data be created, recorded, and reported in compliance with definitions; (3) feedback is provided when data are inadequate to meet user needs for information; and (4) data assurance provides attestation to, or comments on, the integrity of the information within the system.

The Office of Financial Management (PFM) provides overall coordination of data stewardship functions for financial data in the Department. The data stewardship function involves two levels of activities: (1) participation in governmentwide financial data standard setting; and (2) Department of the Interior financial data setting in coordination with the bureau finance operations.

The Office of Financial Management has assigned one staff person to focus on data stewardship functions, participate in governmentwide financial data standard setting activities, and coordinate with the Standard Accounting Classification Advisory Team (SACAT) on setting standards for financial data for use throughout the Department. The PFM data steward monitors the departmentwide data definition process, monitors data creation and compliance processes, ensures data usage relies on information derived from data consistent with the intended definition, and that adjustments are made to data definitions when data are inadequate to meet user needs. This function also coordinates departmental financial data definitions with the two key governmentwide financial data standard setting groups, the Financial Management Service's Standard General Ledger (SGL) Board and the Office of Management and Budget (OMB).

To coordinate the establishment and implementation of financial data standards in the Department, the bureaus and the Office of Financial Management chartered the SACAT, under the leadership of the Finance Officers' Partnership, to establish and maintain a common approach among the bureaus for addressing SGL issues that relate to accounting policy and procedures, reporting requirements, internal controls, and SGL maintenance. The PFM data steward is a member of the SACAT.

FY 2001 Accomplishments

- Participated in the Standard General Ledger Board and Issue Resolution Committee to ensure that the Department's position is fairly presented and defended.
- Participated in the Intragovernmental Eliminations Taskforce (IGET) to develop strategies and procedures to be applied by all Departments to identify and prepare proper intra-Department elimination accounting entries for the governmentwide consolidated financial statements.
- Successfully reported all of the Department's Treasury Fund Symbols via FACTS II for fourth quarter financial data.
- Participated in the SACAT to ensure that the bureaus' data structure is consistent with the governmentwide data model.
- Reviewed SGL voting ballots with SACAT to determine if proposed changes would meet the Department's data needs and formed consensus on voting ballots.
- Prepared the FY 2000 departmental consolidated financial statements based on the revised SGL account structure.

Planned Actions

FY 2002 Planned Activities

- Determine how to best use the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Accountability Report.
- Work closely with the Decision Support System/Executive Information System (DSS/EIS) Team to ensure that pertinent information is delivered to executives for decisionmaking purposes.
- Coordinate, on a departmentwide basis, critical financial data definitions necessary for reporting to OMB, the Department of the Treasury, and for departmentwide decision-making and management. This effort will be implemented by SACAT.
- Determine how the information technology and user communities can best coordinate their efforts to standardize data requirements. This effort will work through the Data Resource Management Working Group.

FY 2003 and Beyond Planned Activities

- Continue to determine how to best use the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Accountability Report.
- Develop a data integrity management control review.
- Establish feedback procedures on data definition and usage to identify and resolve data definition issues relating to bureau, Department, or federal government user requirements.
- Develop standards for transaction-level interfaces.

CHAPTER 10. IMPROVING ADMINISTRATION OF FEDERAL ASSISTANCE PROGRAMS

***GOAL:** Administer the Department's grant programs to ensure compliance with federal regulations and good management practices.*

The Department awards over \$1 billion each year in funding for grants, cooperative agreements, Indian self-determination contracts, and Indian self-governance compacts to state and local governments, Indian tribes, colleges and universities, and other non-profit organizations. The administrative standards, cost principles for determining allowable and unallowable expenditures of federal dollars, and the requirements for auditing non-federal parties' management of federal dollars for these awards are based on OMB Circulars, implementing regulations, Departmental Manual issuances, and specific statutory provisions.

The Department implements these requirements through a broad regulation at 43 CFR Part 12, Subpart A. This regulation states the applicability of the OMB Circulars to all financial assistance awards and subawards in the form of grants and cooperative agreements made by the Department. In addition, the regulation provides that the circulars published in the Federal Register are made a part of the regulation including changes published in the Federal Register by OMB. By adopting the policies included in these Circulars, the Department ensures that the awards are administered in accordance with governmentwide standards in a consistent manner. The Department continues to implement any policy changes in the administration of awards made as required by revisions made to OMB Circulars as well as statutory provisions.

The Department joined in the publication of the governmentwide grants management common rule that specifies uniform administrative requirements for state and local grantees, published a regulation implementing the administrative requirements for non-governmental entities (OMB Circular A-110), and joined in the publication of an implementing regulation for OMB Circular A-133. The Departmental Manual includes corresponding departmental issuances implementing OMB Circulars A-102 and A-110.

As part of governmentwide rulemaking, the Department joined in the publication of regulations implementing lobbying restrictions, drug-free workplace requirements, and nonprocurement debarment and suspension. In addition, the Department has published regulations implementing Buy American requirements for financial assistance. These requirements have been included in the Department's Appropriations Acts.

The Department is an active participant in the Inter-Agency Electronic Grants Committee and is currently a participant in a pilot project to develop an electronic handbook system for the federal grant application processes including interfaces with the Standard Form 424 and a generic form customized according to the federal 194 data transaction set.

The Department is participating in work groups organized under the Grants Management Committee of the Chief Financial Officers Council for implementation of the Federal Financial Assistance Improvement Act (Public Law 106-107). The purposes of the Act are to improve the delivery of services to the public and the effectiveness and performance of federal grant programs. The law requires federal agencies to work with OMB in: (1) developing uniform administrative rules and common application and reporting systems; (2) replacing paper with electronic processing in the administration of grant programs; and (3) identifying statutory impediments to grant program simplification.

FY 2001 Accomplishments

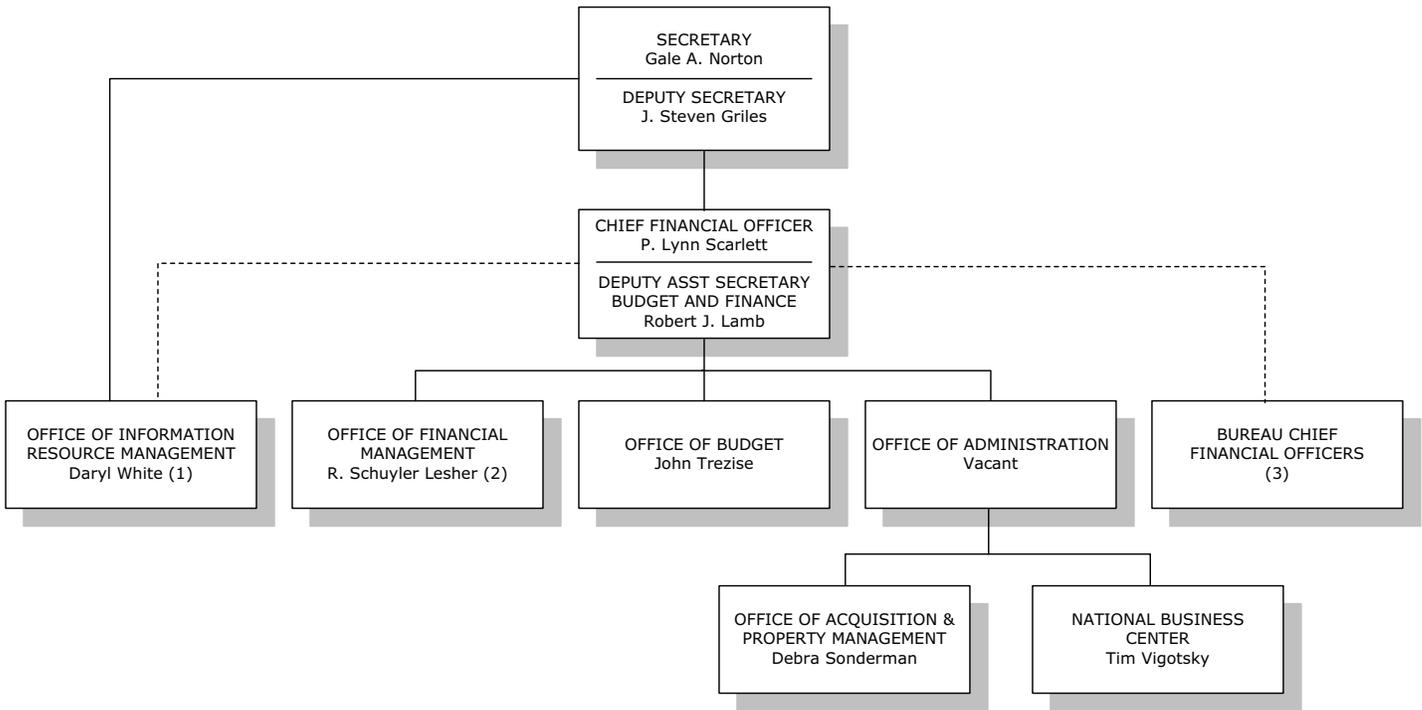
- The Secretary signed the Initial Plan for Public Law 106-107, “Federal Financial Assistance Management Improvement Act of 1999” along with 25 other federal agencies.
- The Department submitted a signed agency-specific preamble to the Office of Management and Budget in preparation for the publication of the Notice of Proposed Rulemaking for the Governmentwide Debarment and Suspension (Nonprocurement) and Governmentwide Requirements for Drug-Free Workplace (Financial Assistance).
- The Department was a participant in the Electronic Handbook System Pilot Project conducted by the Federal Commons Subcommittee of the Interagency Electronic Grants Committee.
- Through work done by the Financial Assistance Team of the Department’s Financial Management Systems Migration Project, developed Requirements Document for Financial Assistance to use for a Request for Information.

FY 2002 Planned Activities

- Continue participation on the Work Groups implementing P.L. 106-107.
- Provide ongoing support for the acquisition of the Financial Assistance module of the Department’s Financial Management Systems Migration Project.
- Continue support of the Interagency Suspension and Debarment Committee’s rule publication and implementation activities.

Appendices

**Department of the Interior
Chief Financial Officer
Organization**



- (1) Chief Information Officer - Reports to the Secretary and receives administrative guidance from the Deputy Assistant Secretary for Budget and Finance
- (2) Deputy Chief Financial Officer and Director of Financial Management
- (3) Assistant/Associate Director - Finance and Administration

U.S. Department of the Interior

Chief Financial Officers and Deputy Chief Financial Officers

<p>P. Lynn Scarlett, Chief Financial Officer, DOI Robert J. Lamb, Deputy Assistant Secretary - Budget and Finance, DOI R. Schuyler Leshner, Deputy Chief Financial Officer, DOI Paul Henne, Chief Financial Officer, FWS David Holland, Deputy Chief Financial Officer, FWS Carol Aten, Chief Financial Officer, USGS Jack Blickley, Deputy Chief Financial Officer, USGS Carla Burzyk, Deputy Chief Financial Officer, USGS Bob Doyle, Chief Financial Officer, BLM Betty Buxton, Deputy Chief Financial Officer, BLM Dennis Sykes, Deputy Chief Financial Officer, BLM Bob Brown, Chief Financial Officer, MMS</p>	<p>Don Matheson, Deputy Chief Financial Officer, MMS Debbie Clark, Chief Financial Officer, BIA Deborah Maddox, Deputy Chief Financial Officer, BIA Jeanette Hanna, Deputy Chief Financial Officer, BIA Bruce Scheaffer, Chief Financial Officer, NPS John Madigan, Acting Deputy Chief Financial Officer, NPS Kathy Gordon, Acting Chief Financial Officer, BOR Kathy Gordon, Deputy Chief Financial Officer, BOR Glenda Owens, Chief Financial Officer, OSM Rick Seibel, Deputy Chief Financial Officer, OSM Robert J. Lamb, Chief Financial Officer, OS R. Schuyler Leshner, Deputy CFO - Finance, OS Bernard Topper, Deputy CFO - Budget, OS</p>
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Finance Officers' Partnership

Member	Coordinator	Bureau/Office
Jack Blickley, Chair	Deborah Sykes	USGS
Dennis Sykes	Esther Horst, Associate Chair	BLM
Cynthia Peters	Vacant	OS
Gene Virden	Joe Murphy	BIA
Efraim Escalante	Tom Lab	BOR
Dave Holland	Art Ford	FWS
John Madigan	Vacant	NPS
JoAnn Hagan	Leslie Peabody	OSM
R. Schuyler Leshner	Clarence Smith	PFM
Karen Baker	Dee Huitt	MMS
Jerry Harjo	Vacant	OTFM

KEY:

DOI - Department of the Interior
 BIA - Bureau of Indian Affairs
 BLM - Bureau of Land Management
 BOR - Bureau of Reclamation
 FWS - Fish and Wildlife Service
 USGS - U.S. Geological Survey
 MMS - Minerals Management Service
 NPS - National Park Service
 OSM - Office of Surface Mining
 OS - Office of the Secretary
 OTFM - Office of Trust Funds Management

FINANCE OFFICERS' PARTNERSHIP

The Finance Officers Partnership (FOP) is a professional accounting and finance organization whose membership includes bureau finance officers and other departmental and bureau finance personnel. The goal of the FOP is to develop, coordinate, and implement short- and long-term improvements in the Department's financial management program while promoting efficiencies that reduce costs and improve services. The partnership, which was created in 1994, recognizes the interdependence of Interior's finance offices and strives to leverage the expertise and synergy that exists in bureau finance offices.

Mission

The FOP's mission is to:

- Provide leadership in developing financial management strategic direction.
- Plan, implement, and manage financial management initiatives.
- Ensure linkages across administrative support functions.
- Advance sound financial policies and practices.
- Champion the establishment of a partnership relationship with program managers.
- Encourage collaborative efforts across the Interior financial community.
- Promote consensus within the Interior finance arena and establish priorities.
- Foster information sharing within the Department both to and from the Chief Financial Officers Council and the Office of Financial Management.
- Provide a structure for communicating the accomplishments of the Interior financial management community.
- Establish operating structures to manage data stewardship, support systems, and implement initiatives.

The FOP recognizes that financial management encompasses the full range of administrative disciplines: Accounting, Budget, Personnel/Payroll, Acquisition, Property, and Information Resources Technology. To effectively accomplish its goal, the Partnership reaches out to these disciplines by forming expanded Partnership teams that address the complex financial management challenges.

Organization

The FOP accomplishes its goals and objectives primarily through the efforts of workgroups. The established workgroups of the FOP and their significant plans and accomplishments include:

Software Advisory Board Team (SAB): The primary functions of the SAB are to provide analytical and technical support to the FOP in the areas of FFS software design, development, and implementation.

- Significant FY 2001 accomplishments include making necessary changes to FFS to ensure compliance with standards and install enhancements.
- Plans for FY 2002 will concentrate on high priority fixes; no major releases are planned for 2002.

Standard Accounting Classification Advisory Team (SACAT): The SACAT establishes and maintains a common approach among Interior bureaus for addressing accounting classification issues including standard general ledger maintenance, accounting policy and procedures, internal controls, and reporting requirements.

- Significant FY 2001 accomplishments include updating and revising the Chart of Accounts to comply with U.S. Treasury requirements, including posting models, research on Treasury voting ballots, and support for Financial Statement Guidance Team efforts. The Budget Object Class subteam has prepared a handbook to be issued in FY 2002.
- Plans for FY 2002 include resolving revenue accounting model issues, continuing to implement 2002 Chart of Account changes, ensuring consistency, sharing best practices, and addressing accounting issues.

Operations Advisory Group (OAG): The OAG promotes a common approach throughout the Department of Interior for addressing accounting operations issues including accounting procedures, reporting requirements, and internal controls in financial management processes.

- Significant FY 2001 accomplishments include the issuance of guidance to improve the accuracy of financial data and funds availability and the identifying of acceptable methods to record fiscal year end accruals.
- Plans for FY 2002 include the establishment of a reporting tool to measure improvement in the management of undelivered orders, streamlining of tariff payments, and strengthening charge card internal controls.

Financial Statement Guidance Team (FSGT): The FSGT coordinates financial statement issues among the bureaus and the Department. The FSGT implements new Financial Accounting Standard Advisory Board, Office of Management and Budget, and U.S. Treasury guidance, as well as correcting audit findings for the Department.

- Significant FY 2001 accomplishments include holding a joint budget-finance conference, which included 12 workshops to address common accounting and reporting issues;

providing formal financial statement preparation guidance; and using regular FSGT meetings to address emerging issues.

- Plans for FY 2002 include supporting the bureaus with the new KPMG auditors and in meeting the more aggressive time frames.

Cost Accounting Work Group (CAWG): The CAWG facilitates implementation of FASAB Standard No. 4, "Managerial Cost Accounting," within Interior. In addition to implementing FASAB No. 4, the CAWG coordinates issues and shares alternative approaches related to cost accounting, cost management, and performance management across the Department.

- Significant FY 2001 accomplishments include integrating performance information with cost data at the responsibility segment level in the Department's FY 2000 Annual Accountability Report and Bureaus' FY 2000 Annual Financial Statements, performing a review of all cost recovery activities, updating the departmentwide user fee database, and completing a summary report of cost recovery activities based on FY 2000 results.
- Plans for FY 2002 include conducting the biennial review of all user charge activities required by the CFO Act. The Department will continue collaborative efforts, both inter- and intra-departmental, regarding implementation of FASAB No.4. The CAWG will also continue to address ways to improve tracking and reporting of cost information to support program manager's needs, improving cost accounting practices in areas where fees are charged for services to achieve full cost recovery, reviewing the alignment of budget, cost accounting, and GPRA requirements to further improve both planning and reporting of cost and performance data, and fulfilling the annual reporting of Interior's costs to the Federal Energy Regulatory Commission for work performed under the Federal Power Act.

Budget Execution Reporting Working Group: The purpose of this group is to establish and maintain a common approach and open communication among the Department and bureau budget and finance offices. The team works to strengthen the relationships between budget and finance offices and provides a forum for discussion of issues concerning the reporting of budget execution data.

- Significant FY 2001 accomplishments include establishment of the Working Group, initiation of regular Working Group meetings, and holding a joint budget and finance conference attended by Department Budget and Finance personnel as well as representatives from OMB and Treasury.
- Plans for FY 2002 include establishment of the Budget/Finance Conference as an annual event, continuation of regular Working Group meetings planned around the FACTSII reporting window, identification and resolution of budget/finance issues, and communication of Department issues to OMB.

Accounting for Eliminations Team: This is the newest team established by the FOP to address the issues associated with financial statement treatment of interbureau transactions.

- Significant FY 2001 accomplishments include inventorying issues related to interbureau transactions and identifying and addressing the primary issues surrounding the differ-

ences in reconciling intra-departmental transactions. The team has appointed a lead on each issue. The team members will be monitoring the progress and issues encountered during the FY 2001 elimination process.

- FY 2002 plans include researching all issues related to reconciling intra-departmental eliminations, automating the reconciliation process, and developing alternatives or recommendations to resolve the issues or refer them to appropriate teams as necessary.

FY 2001 Accomplishments

During FY 2001, the FOP identified a number of priorities that represent the greatest needs and challenges of bureau central finance functions and expressed those challenges in terms of action statements. From these priorities three overarching goals were identified collectively by the FOP. These goals were to (1) assist the management of the Department to retain an unqualified audit opinion on the consolidated financial statements; (2) improve existing financial systems and processes while continuing to support departmental efforts to acquire improved financial management systems; and (3) strengthen the financial management function through improved processes to recruit, retain, and train financial management professionals. The short-term goals and objectives of the FOP are summarized below.

- **Goal: Recruit and retain qualified and diverse staff.**
Objectives:
 - Resolve classification and grading issues.
 - Develop and implement a long-range recruitment plan.
 - Develop and implement a staff retention plan.
- **Goal: Train and develop staff.**
Objectives:
 - Develop a long-range training plan based on JFMIP core competencies.
 - Conduct a financial forum to address immediate training needs.
 - Prepare for outsourcing of financial audits.
- **Goal: Improve processes and systems.**
Objectives: Improve external reporting, particularly for:
 - FACTS II
 - Interbureau eliminations
 - Undelivered orders/accruals/accounts payable
 - Security and general controls over financial management systems
 - Hyperion consolidated financial statement application