

Financial Management Status Report and Strategic Plan *FY 2004 - FY 2008*



September 2003





United States Department of the Interior

OFFICE OF THE SECRETARY

Washington, D.C. 20240

SEP - 8 2003

Honorable Joshua B. Bolten
Director, Office of Management and Budget
Old Executive Office Building, Room 349
Washington, DC 20503

Josh
Dear Mr. Bolten:

I am pleased to submit the Department of the Interior's Fiscal Year 2004 Financial Management Status Report and Strategic Plan as required by OMB Circular A-11. This plan summarizes the significant accomplishments achieved in fiscal year 2003. It also describes the Department's approach to continued financial management improvement in fiscal year 2004 and supports the financial management improvement initiatives associated with the President's Management Agenda.

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. Accordingly, we have initiated a financial management transformation project, which is outlined and discussed in this report. In the upcoming year, we will be refining our transformation goals to make another leap forward.

The implementation of the Financial and Business Management System (FBMS), as proposed in the President's FY 2004 Budget, is a critical tool to achieving the Department's strategic goals and long-term success. It will enable us to consolidate or retire aging and non-supported systems, and deliver both financial and business information in a more cost-effective manner.

The following three themes will continue to guide our improvement efforts over the next several years:

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

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

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Lynn Scarlett', with a long horizontal flourish extending to the right.

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

table of contents

Chapter 1 - Overview.....	1
Chapter 2 - Financial Performance Management.....	9
<i>Strategic Goal 1 - Integrity</i>	9
<i>Strategic Goal 2 - Efficiency</i>	11
<i>Strategic Goal 3 - Reporting</i>	15
Chapter 3 - Progress in Improving Financial Performance	17
<i>Improving Financial Management Reporting</i>	17
<i>Ensuring Management Accountability and Control</i>	32
<i>Improving Asset Management and Financial Operations</i>	37
<i>Improving Financial Data Stewardship</i>	53
Chapter 4 - Financial Management Systems.....	55
Chapter 5 - Grants Management	78
Chapter 6 - Human Capital.....	83

CHAPTER 1. OVERVIEW

Interior's Mission

The U.S. Department of the Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors its special trust responsibilities or special commitments to American Indians, Alaska Natives and affiliated Island Communities.

Executive Summary

The Department of the Interior has many responsibilities, which have evolved throughout its history. They range from the protection of unique and special areas to providing access for production of one-quarter of the Nation's energy supply and to the provision of education to 48,000 American Indian students.

The Secretary has established a path of management excellence to fulfill these responsibilities. An essential element of management excellence is a strong financial management program to ensure accountability in the services that Interior provides. The FY 2002 audit results caused concern that the Department could (1) meet accelerated deadlines and other requirements; (2) continue to obtain unqualified audit opinions without the recurrence of material weaknesses and reportable conditions; and (3) position itself for the implementation of a new, integrated financial and business management system.

In FY 2003, Interior aggressively initiated the first phase of a transformation process designed to significantly change financial management in the Department. During FY 2003, Interior focused on making progress in key areas such as:

- Revising policies and processes to improve financial operations, particularly related to property, eliminations, environmental liabilities, and the US Geologic Survey;
- Reducing vulnerability to unauthorized access, use, or loss of sensitive information in Interior's financial management systems;
- Implementing revised financial guidance and processes to meet accelerated deadlines for financial reporting; and
- Addressing all the internal control findings and non-compliance issues reported in the FY 2002 audit reports.

Interior also established metrics to measure its progress in these areas and is in the midst of developing a workforce plan to address financial management structures, recruitment, retention, and training needs.

Interior has made progress in the areas identified in the Transformation Plan. Preliminary feedback indicate that these efforts have established a foundation for achieving unqualified audit opinions in an accelerated timeframe. Nonetheless, the long-term vigor of Interior's financial and business management systems also hinges on the implementation of the Financial and Business Management System (FBMS) proposed in the President's FY 2004 budget.

Interior's Mission

The American people have had a long-term investment in the resources managed by the Department of the Interior. From its establishment in 1849, Interior has managed many 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, Interior focused much of its attention on the preservation, management, understanding, and use of natural and cultural resources.

Charged with its extensive mission, Interior's programs balance the protection of the Nation's investment in its natural and cultural resources with the access to public lands for recreation and resource use. Partnering with communities, Interior provides law enforcement, firefighting, and the generation of science, in addition to meeting its trust responsibilities to Native Americans. For the first time this mission has been delineated in a department-level strategic plan, which organizes goals and performance measures into four mission areas: (1) resource use, (2) resource protection, (3) recreation, and (4) serving communities.

Interior's 70,000 employees manage one in every five acres of the United States, working in over 2,400 locations to fulfill its mission. In its work Interior operates over 800 dams and irrigation facilities and some 34,000 other structures. Interior also generates more than \$10 billion in revenues, much of which is paid to state, Indian, county, local, and other federal agency accounts.

Achieving Management Excellence

The Secretary's vision for management excellence provides a framework for improving program efficiency. The vision for management excellence is based upon the following principles:

- *Customer Value* - Ensuring that all of our activities add value and ensure the effective use of resources.
- *Accountability* - Establishing clear performance measures and holding our managers and employees accountable for results.
- *Modernization* - Using technology to work smarter and provide single points of access to our services.
- *Integration* - Identifying opportunities to avoid duplication and achieve economies to enhance customer service and efficiency.

A key to management excellence is the accelerated implementation of the President's Management Agenda, which establishes five governmentwide goals for delivering results that matter to the American people. One of the goals, improved financial performance, would result in the production of accurate, timely, and useful information to support operating, budget, policy, and the reduction of erroneous payments. Interior has improved its financial performance as indicated by improved scores in the Office of Management and Budget Scorecard.

Interior recognizes that the bedrock of management excellence is world-class financial management. World-class financial management assures Congress and the public that funds provided by the American people to Interior's programs are used as efficiently and productively as possible.

Transformation of Financial Management

Interior's Transformation Vision

Interior will create a system which links planning and budget with performance results; performs efficient, reliable transaction processing; and focuses on analyses of data to provide managers and employees with timely, reliable information for delivering service to the public.

The FY 2002 audit results clearly indicated that Interior had to significantly overhaul its financial management approach. The Department has worked diligently over the years to provide high-quality financial and performance data to managers and to report accurate information to external parties. As a result of extraordinary efforts by Interior employees over the past six years, Interior has received an unqualified or "clean" audit opinion on the consolidated financial statements published in the Department's Annual Report on Performance and Accountability. The Department has also been awarded the Association of Government Accountants Certificate of Excellence in Reporting (CEAR) for the past three years.

While Interior obtained its sixth unqualified audit opinion on the consolidated financial statements in FY 2002, the audit results indicated the presence of repeat material weaknesses. In FY 2001, one reporting entity received a disclaimer, and one did not obtain an opinion. In FY 2002, one reporting entity received a disclaimer, two received qualifications, and one was unable to obtain an opinion. Audit reports from the external auditors have identified a number of internal control issues, many of which are considered material weaknesses and most were carried over from prior years.

Governmentwide, new requirements for much more timely information have been established by OMB, including quarterly financial statements and annual financial statements with accompanying audits within 45 days of the end of the fiscal year. Interior determined that completing the annual financial statements and audit by November 15, 2003—as well as ongoing quarterly statements—would not be possible for Interior using its existing processes because the inability to record transactions as they occur means that the information needed to prepare timely financial statements was simply not available. Moreover,

processes needed to be standardized and improved to facilitate movement to the new core financial system included in the Financial and Business Management System proposed in the President's FY 2004 budget.

In addition, current practices and systems do not provide Interior managers and employees with timely, reliable management information related to budget execution, cost of doing business, and performance to manage their work to provide the best value for American taxpayers. Consistent, timely information is not currently available in the Department, making it difficult to discuss program performance and program costs fully within Interior, with OMB and Congress, and with citizens and partners.

The need to correct repeat material weaknesses, coupled with the accelerated closing schedule for the FY 2003 Annual Report on Performance and Accountability, pointed to the need for a financial management transformation.

In FY 2003, Interior aggressively initiated the first phase of a transformation process designed to significantly change financial management in the Department. During FY 2003, Interior focused on making progress in key areas such as:

- Revising policies and processes to improve financial operations, particularly related to property, eliminations, environmental liabilities, and the US Geologic Survey.
- Reducing vulnerability to unauthorized access, use, or loss of sensitive information in Interior's financial management systems.
- Implementing revised financial guidance and processes to meet accelerated deadlines for financial reporting.
- Addressing all the internal control findings and non-compliance issues reported in the FY 2002 audit reports.

Interior has established performance metrics to measure progress in these areas and is currently developing a workforce plan to address financial management structures, recruitment, retention, and training needs.

Interior has made progress in all the areas identified in the Transformation Plan. For example:

- Emphasis by a cross-departmental workgroup on eliminations reduced the balance from \$1.3 billion (January 2003) to \$135 million (June 2003).
- Deadlines for quarterly financial statements have been met.
- The Department is on track to have its audit and report completed by November 15, 2003.

Interior, with its very large diverse portfolio, has focused efforts over the past few years on correcting material weaknesses reported under the Financial Managers Financial Integrity Act (FMFIA). The Department has: reduced the number of FMFIA material weaknesses

from 170 to 17; and reduced the number of material systems non-compliance issues from 64 to 1. Interior continues to focus efforts on correcting material weaknesses and non-compliance issues reported by its financial statement auditors; however, the Department continues to be challenged by the remaining FMFIA material weaknesses, including challenges in managing Indian Trust Funds and inadequate computer security. While these and other issues are being addressed with extensive resource commitments, the issues are complex and will require several years to resolve.

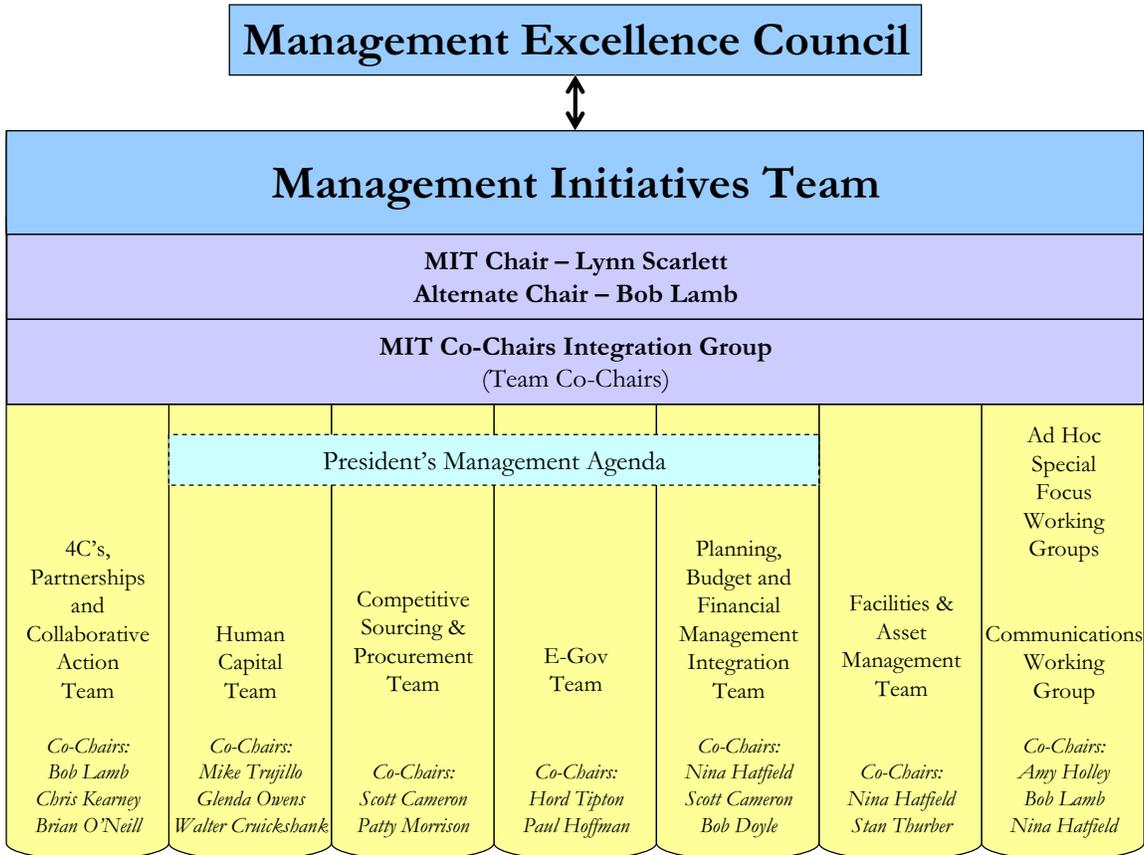
Nonetheless, a key to the long-term vigor of Interior's financial and business management systems lie with the implementation of the Financial and Business Management System (FBMS) proposed in the President's FY 2004 budget. Interior has continued, as described in Chapter 4, to prepare for the implementation of the FBMS beginning in FY 2004. Key departmental financial management systems that are critical to the sound management of Interior's diverse, geographically diffuse operations and programs are in urgent need of replacement. Many systems in Interior's eight major bureaus are not integrated, which makes it difficult to maintain the quality of financial information. The systems do not have the necessary security capabilities to facilitate more open access via the Internet. Vendors currently supporting these systems will not support the aging software in the future. Additional demands are being placed on these systems to comply with federal financial accounting standards and requirements to produce audited financial statements. The need to provide up-to-date financial information to managers for decision-making purposes and the need to prepare quarterly financial statements for the Office of Management and Budget and Interior management are further stretching the ability of existing financial management systems to respond to departmental needs. Additionally, major changes to financial management systems will be necessary to comply with new security, privacy, and electronic government requirements mandated by the Government Paperwork Elimination Act (GPEA).

Collaborative Working Relationships

Interior recognizes that to improve financial management and effectively re-engineer and streamline financial management activities and processes, collaborative working relationships must be established between program and financial managers. To that end, the Secretary has set in motion several reforms that will help to ensure integrated planning, leadership, and assessment of the Department's programs. These include:

Effective Leadership and Management Oversight. The Department has established a Management Excellence Council, chaired by the Secretary and including the Deputy Secretary, Assistant Secretaries, and bureau heads. The Council provides leadership, direction, and accountability to implement the Administration's goals and provides 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, chaired by the Assistant Secretary - Policy, Management and Budget, her Deputies, or the Chief Information Officer, are ensuring that all departmental management reform efforts are collaborative and coordinated. *Exhibit 1-1* illustrates Interior's new management oversight structure.

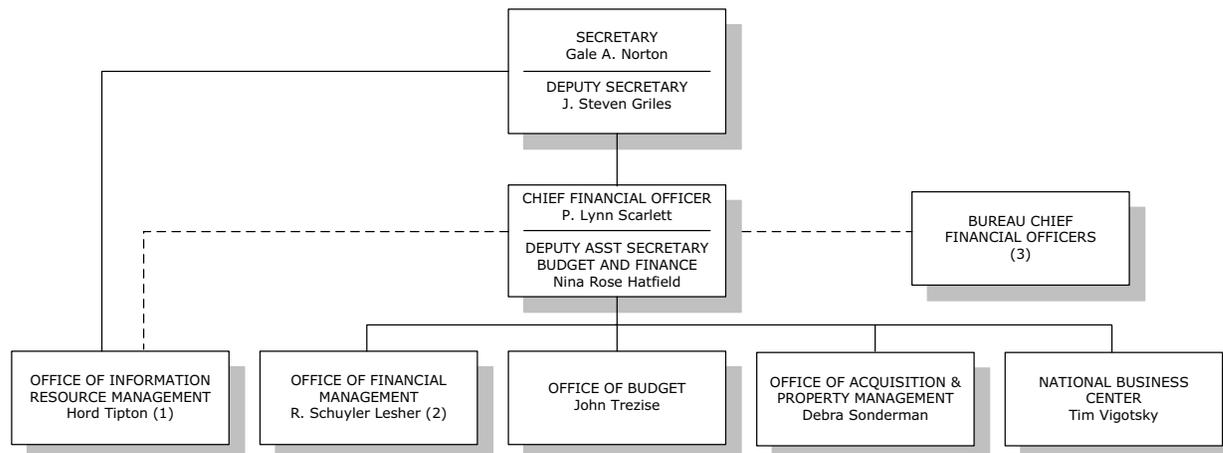
Exhibit 1-1



In addition to the leadership and oversight function, Interior has a sound Chief Financial Officer (CFO) organization that is capable of successfully meeting the current and future challenges in federal financial management. The CFO organization (*Exhibit 1-2*) is headed by the Assistant Secretary - Policy, Management and Budget 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's CFO leads the Interior CFO Council in addressing emerging financial management issues and fulfilling the financial management vision.

Exhibit 1-2

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



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

Administrative Partnerships. The Department has established a number of partnerships to improve coordination within its administrative communities and to develop solutions to specific issues. These include:

- *Finance Officers' Partnership (FOP).* The FOP was established to enable the Department to work better and reduce costs through the collaborative planning, development, and implementation of improved financial management policies and practices. The FOP has established subcommittees or working groups to focus on important financial management issues that confront the Department, including:
 - *Software Advisory Board (SAB)* provides analytical and technical support to the FOP in the areas of FFS software design, development, and implementation.
 - *Standard Accounting Classification Advisory Team (SACAT)* establishes and maintains 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)* coordinates bureau and departmental preparation of financial statements.
 - *Operations Accounting Group (OAG)* coordinates 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)* coordinates and improves budget execution processes and reporting practices.

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

- *Accounting for Eliminations Team (AET)* addresses 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.

In this plan, Interior has outlined its objectives, its accomplishments in achieving those objectives, and its plans for the future. The plan includes the goals, strategies, and performance measures for improving financial reporting, activities to maintain and improve financial management systems, improving financial operations, initiatives to improve grants management, and initiatives associated with enhancing the Department's human capital investment.

CHAPTER 2. FINANCIAL PERFORMANCE MANAGEMENT

The Department is transitioning to a revised strategic plan for financial management, augmented by goals established in Phase 1 of the Financial Management Transformation Plan. Reviewing metrics, as a way of improving performance, has become a major focal point of the Transformation Plan. The Department distributes monthly reports to senior officials and managers and meets periodically with bureau management to discuss areas in which improvement is needed.

Currently, the Department has three 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.

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 (OMB), 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 the Federal Financial Management Improvement Act. 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 Performance and Accountability Report (PAR) 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 FY 2003 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, have no reportable conditions in the Internal Control and Compliance with Laws and Regulations opinions for all eight bureaus, the Departmental Offices, and the Department.

The Department and six bureaus and offices received unqualified audit opinions in FY 2002, two bureaus received qualified audit opinions, and no opinion was issued on the financial statements of the U.S. Geological Survey. The FY 2003 audited financial statement results were not available at the time this report was prepared. The results are expected

to be issued by November 15, 2003, for all bureaus and offices. The Department's Chief Financial Officer elected to commit to this accelerated target date for completing the FY 2003 PAR in order to establish the necessary discipline to produce the PAR under the accelerated time frame, and to identify and provide ample time to address obstacles and problems associated with meeting this new OMB accelerated due date.

Audit Opinions

	FY 01 Actual	FY 02 Actual	FY 03 Plan	FY 03 Actual	FY 04 Plan	FY 05 Plan
Unqualified opinions on financial statements	8 of 10	7 of 10	10 of 10	N/A	10 of 10	10 of 10
No. of exceptions in report on internal controls (departmentwide)	1	1	4	N/A	2	0
No. of exceptions in report on compliance with laws and regulations (departmentwide)	1	1	2	N/A	1	0

Performance Measure - Timely Correction of Federal Manager's Financial Integrity Act (FMFIA) Material Weaknesses and Implementation of Office of Inspector General (OIG) and U.S. General Accounting Office (GAO) Audit Recommendations

A number of FMFIA program material weaknesses have been identified in annual management control self-assessments of bureau and office programs, organizations, and functions. Corrective Action Plans (CAPs) are developed and implemented by the bureaus and offices, and the Department monitors corrective action progress on a quarterly basis to ensure that the CAPs are completed by the original targeted completion date. In addition, audit recommendations reported by the OIG and GAO are also monitored on a quarterly basis to ensure that implementation occurs in a timely manner.

Performance Goal: The Department's goal for FY 2003 was to complete at least 80 percent of the CAPs for FMFIA material weaknesses reported in bureau and office management control self-assessments by the original planned targeted completion date. In addition, the Department's FY 2003 goal for implementing OIG and GAO audit recommendations within one year of the date of referral to the Department for tracking of implementation was also 80 percent.

Performance Objectives: By the end of FY 2008, the Department intends to complete 100 percent of all material weaknesses CAPs by their original target date (compared to 80 percent actual expected to be achieved by the end of FY 2003). Additionally, the Department plans to implement 95 percent of all OIG and GAO audit recommendations within one year of referral to the Department for tracking of implementation (compared to 80 percent actual expected to be achieved by the end of FY 2003).

Based on actual progress through the end of the third fiscal quarter, and that expected by the end of FY 2003, the Department's goal of completing at least 80 percent of the CAPs for FMFIA material weaknesses by the original planned targeted completion date should be accomplished. A CAP completion rate of 100 percent is expected to be achieved. Only one material weakness CAP, the U.S. Fish and Wildlife Service Federal Aid Program, was targeted for completion in FY 2003. All but two corrective action milestones in the CAP

have been completed, and the remaining action items are on target for completion on or before the end of the fiscal year.

Based on actual progress to date, and that expected by the end of FY 2003, the Department's goal for implementing at least 80 percent of OIG and GAO audit recommendations within one year of the date of referral to the Department for tracking should be accomplished. A composite implementation rate of 73 percent was achieved through the end of the fiscal third quarter, and an 82 percent composite implementation rate is projected to be achieved by the end of the fiscal year.

Completion of Material Weakness CAPs and Implementation of Audit Recommendations

	FY 01 Actual	FY 02 Actual	FY 03 Plan	FY 03 Estimate (as of 6/30/03)	FY 04 Plan	FY 05 Plan
Implementation of audit recommendations	63%	88%	80%	82%	85%	90%
Completion of material weakness CAPs	50%	80%	80%	90%	90%	100%

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 Act. Over the past several years, the number of payments subject to the Act has shown a steady decline. This decrease is primarily attributable to Interior'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, 2003, Interior's percentage of payments not requiring interest penalties was an estimated 97 percent, meeting the annual target. The Department expects this payment rate to continue as a result of using new technologies and best practices.

Prompt Pay

	FY 01 Actual	FY 02 Actual	FY 03 Plan	FY 03 Estimate (as of 6/30/03)	FY 04 Plan	FY 05 Plan
Percent of payments not requiring interest penalties	97.9%	97.6%	97.0%	97.0%	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, 87 percent of vendor payments, 92 percent of miscellaneous payments by EFT, and 93 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 (CCR) to facilitate vendor enrollment for EFT.

During FY 2003, in addition to the above, the Department actively supported the President's Management Agenda requirement to expand Electronic Government to include use of the CCR as the single validated source of data on vendors doing business with the government and to facilitate vendor enrollment for EFT. The Office of Acquisition and Property Management and the Office of Financial Management jointly issued a policy memorandum implementing the CCR requirement. Interior bureaus did a consistent and thorough job of advising vendors and prospective contractors of the governmentwide CCR registration requirement through a variety of media, e.g., Web site postings and links, fliers, notices in synopses, solicitations and contracts, outreach at trade fairs, and in Business and Economic Development counseling sessions with small businesses. The Interior Department Electronic Acquisition System (IDEAS) has interfaced with the CCR since 2001 and has been used by Interior acquisition and finance personnel as a source of a wide variety of vendor information, including product/service data, addresses, and payment information.

Electronic Funds Transfer

	FY 01 Actual	FY 02 Actual	FY 03 Plan	FY 03 Estimate (as of 6/30/03)	FY 04 Plan	FY 05 Plan
Salary	98.6%	98.9%	98.0%	99.3%	98.0%	98.0%
Vendor	80.6%	84.9%	80.0%	87.8%	90.0%	90.0%
Miscellaneous	92.8%	92.0%	92.0%	93.5%	92.0%	92.0%
Charge Card (\$25,000 or less)	95.5%	97.0%	93.0%	94.0%	94.0%	95.0%

Performance Measure - Referral of Eligible Debt

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

Performance Goal: Refer all eligible 180-day delinquent debt to Treasury.

Performance Objective: By the end of the current fiscal year, the objective is to achieve a 93 percent referral rate. The Bureau of Indian Affairs, the Minerals Management Service, and the Fish and Wildlife Service are nearing completion of an intensive effort to improve its debt referral performance. This effort, when completed, will greatly improve the percentage of referral of eligible debt to Treasury's Financial Management Service. Interior has worked with Treasury and the bureaus to increase referrals to Treasury. At present, it is uncertain whether the goal will be met for FY 2003 but the Department is working hard to accomplish the goal and efforts will continue until it is accomplished.

Referral of Eligible Debt

	FY 01 Actual	FY 02 Actual	FY 03 Plan	FY 03 Estimate (as of 6/30/03)	FY 04 Plan	FY 05 Plan
Percent of eligible debt referred to Treasury *	97%	83%	93%	75%	94%	95%

* Eligible debt excludes amounts in litigation and amounts currently being considered by the agency for compromise. There is a pending issue regarding certain debts of the Minerals Management Service that are included in the FY 2003 performance data above that adversely impacts the overall performance percentage for the Department. We are working with Treasury and the MMS to determine the correct computation of the amount eligible for referral.

Performance Measure - Reduce SmartPay Program Employee Delinquent Accounts

The Department seeks to reduce the number of charge cards that are delinquent for 60 days or more to one percent, exclusive of former employees, by FY 2005.

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: As of July 19, 2003, Interior's percentage of delinquent charge card accounts decreased from 4.80 percent to 3.85 percent since September 30, 2002. By the end of the FY 2005, the Department expects to achieve a level of two percent of the total outstanding balance and continue at that level for each year thereafter.

SmartPay Delinquent Accounts

	FY 01 Actual	FY 02 Actual	FY 03 Plan	FY 03 Estimate (as of 6/30/03)	FY 04 Plan	FY 05 Plan
Percent of SmartPay Program Employee Delinquent Accounts (60 days or older)	4.6%	4.1%	2.0%	2.5%	2.0%	1.0%

Performance Measure - Reduce Erroneous Payments

OMB Circular A-11 defines "erroneous payments" as payments that should not have been made or were made for an incorrect amount. Interior makes financial assistance payments under a variety of programs and to vendors for goods and services. To better assess the Department's performance in the area of erroneous payments, Interior has established a goal for 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 is to maintain adequate controls over federal assistance payment processes to ensure that any erroneous payments are below .06 percent of the program as measured by audit disallowances and that 60 percent of the disallowances are returned to the government. To further enhance the program, the Department will expand pre-audit and post-audit programs by establishing additional programs to cover vendor payments (recovery auditing). These additional programs will be phased-in beginning in the last quarter of FY 2003 and will cover all government bills-of-lading. Plans are also being established to comply with the Improper Payments Information Act of 2002 (P.L. 107-300). An internal work group has been created to coordinate and satisfy the requirements of this legislation. A report from this group will be included in the FY 2004 Performance and Accountability Report.

Erroneous Payments

	FY 01 Actual	FY 02 Actual	FY 03 Plan	FY 03 Estimate (as of 6/30/03)	FY 04 Plan	FY 05 Plan
Federal Assistance – Percent of Audit Disallowances	.02%	.03%	.06%	.058%	.06%	.06%
Federal Assistance – Percent of Disallowances Returned to Government	13%	35%	45%	45%	60%	60%
Number of Pre-Audit Programs	1	1	2	2	2	2
Number of Post-Audit Programs	0	0	1	0	1	1

***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 (GPRA).*

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 Performance and Accountability Report, and increase cost information related to GPRA goals.

Performance Objective: Beginning in FY 2001, the Department reported 100 percent of the high-level annual performance measures in the Accountability Report and reported costs for 100 percent of GPRA program activities. In FY 2002, the Department consolidated the Annual Performance Report with the Annual Accountability Report and reported costs for 100 percent of the GPRA program activities. This reporting format will continue in FY 2003 and future years.

Combining Financial Statements with Performance Data

	FY 01 Actual	FY 02 Actual	FY 03 Plan	FY 03 Estimate (as of 6/30/03)	FY 04 Plan	FY 05 Plan
Ratio of selected, high-level annual performance measures reported in the Accountability Report	100%	100%	100%	100%	100%	100%
Percent of GPRA Program Activity performance measures in the Accountability Report	N/A	100%	100%	100%	100%	100%

Performance Measure - Interim financial statements and performance reports

The Department intends to complete a three day close for all bureaus and a five day close for the Department as well as improve the availability of financial and budget information to Interior management.

Performance Goal: The Department's goal is to produce monthly financial statements and reports on performance data during the year.

Performance Objective: By the end of the current fiscal year and each year thereafter, produce monthly 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 Data

	FY 01 Actual	FY 02 Actual	FY 03 Plan	FY 03 Estimate (as of 6/30/03)	FY 04 Plan *	FY 05 Plan *
Number of interim financial statements	1	1	1	5	11	11
Number of interim reports on performance data	0	1	0	0	11	11

* The Department intends to produce monthly statements and reports in FY 2004 and FY 2005.

CHAPTER 3. PROGRESS IN IMPROVING FINANCIAL PERFORMANCE

The Department is committed to improving its financial capability and performance, including supporting the “Improve Financial Accountability” goal in the President’s Management Agenda. One tool the Department uses to measure progress towards this goal is the DOI Financial Management Improvement Scorecard. The DOI Scorecard lists criteria and metrics that will help the Department’s achieve “green” on the President’s Management Agenda Scorecard. The Department and bureaus meet periodically to assess Scorecard progress and to discuss areas requiring additional management attention.

The specific, crosscutting initiatives to improve financial accountability and management are discussed in this section of the report and include improving financial management reporting, ensuring management accountability and control, improving asset management and financial operations, and providing data stewardship.

Improving Financial Management Reporting

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 decision-making is reliable, verifiable, and consistent with the annual audited financial statements.

As part of this objective the Department continues to focus on 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.

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 Accountability Report is now the Annual Report on Performance and Accountability Report, as it was expanded in FY 2002 to include the Annual Performance Report. The Department continues to prepare this 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 there are significant and long-term benefits to preparing bureau financial 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 property management and collection of accounts receivable by working capital funds.

To improve financial reporting, the Department is focusing on the following:

- Continuing to improve the financial statement preparation process;
- Preparing monthly financial statements, and meeting the accelerated financial reporting date one year in advance of the 2004 requirement;
- Improving the linkage of financial statement reporting to performance reporting;
- Correcting material weaknesses and reportable conditions identified during the annual financial statement audit; and
- Correcting Federal Financial Management Improvement Act (FFMIA) deficiencies.

Financial Management Transformation - Phase 1

In the spring of 2003, the Department launched a Financial Management Transformation Plan. This process, entitled “Transformation of Financial Management In Interior: Phase 1,” involved the Assistant Secretary – Policy, Management and Budget (AS/PMB), Bureau Directors, Bureau Chief Financial Officers, and other representatives from throughout the Department.

The Finance Transformation Actions are described below:

1. *Benchmark Success.* Structure visits with successful governmental and private sector organizations to learn how they engineered quantum improvements in financial management. Apply ideas to Interior’s Transformation of Financial Management.
2. *Management Strategy for Phase I.* Discuss the issues driving a need for transformation with Interior leadership and implement a management strategy to complete the plan of action, obtain concurrence on urgency of need and proposed approach and put organizational structure in place to be successful.
3. *Financial Organization.* Assemble, train and reward top talented personnel needed to perform the work associated with correcting financial weaknesses, improve financial management leadership, implement and maintain ABCM, and prepare for the FBMS to strengthen internal capacity to manage financial operations..
4. *Policy and Process.* Review and revise DOI financial policy and process to provide a sound, consistent base for financial management operation. The Department and the Bureaus would be operating off the same policy guidance in key areas and would standardize their operational approaches. The key policy and process areas to be addressed are:

- a. Issuing Accounting and Financial Management Related Policies and Standard Procedures
 - b. Undelivered Orders and Accruals
 - c. Cash Management and Reconciliation
 - d. Intra-governmental transactions and eliminations
 - e. Billings, collections and revenue reporting
 - f. Environmental Liabilities
 - g. Erroneous Payment
5. *Security and Controls of Financial Management Systems.* Comply with OMB Circular A-130 by implementing controls to assure that financial management systems, including FFS, FPPS, IDEAS, and ABACIS are secure. This will reduce vulnerability of unauthorized access, use, or loss of sensitive information in Interior's financial management systems and eliminate audit material weakness or reduce it to a reportable condition in 2003.
6. *Improve Controls over Property, Plant and Equipment.* Address KPMG Audit findings related to controls over property, plant and equipment (PP&E) to improve management over PP&E and resolve the internal control material weaknesses identified in the 2002 KPMG Audit Report. This will include improvements in:
- a. Capitalization of Assets
 - b. Inventory and Certification Process
 - c. Acquisition and Disposals
 - d. Construction in Process
 - e. Transfers
 - f. Land and Land Rights
 - g. Recording Depreciation
 - h. Reconciliation of Subsidiary Ledgers to the General Ledger

This action item will also include addressing the Reportable Condition related to Deferred Maintenance.

7. *Debt Management Improvement.* Comply with the Debt Collection Improvement Act of 1996 (DCIA) and improve the Department's debt collection performance to ensure the Department is in compliance with DCIA and reduce future write-offs of debt.
8. *Financial Reporting.* Improve the transaction, reconciliation, and reporting process to enable Interior to meet the November 15 report date; create timely, reliable financial data and resolve KPMG Audit Material Weakness related to controls over financial reporting.
9. *Monitoring Correction of Material Weaknesses & Reportable Conditions.* Address all internal control findings and non-compliance issues reported in the 2002 audit reports. These include the following departmental internal control findings and noncompliance issues:

Departmental Material Weaknesses:

- a. Security and general controls over financial management systems (covered in Transformation Action item 5)
- b. Controls over Property, Plant and Equipment (covered in Transformation Action item 6)
- c. Controls over financial reporting (covered in Transformation Action item 7)
- d. Controls to reconcile intra-governmental transactions and balances (covered in Finance Transformation Action item 4)
- e. Indian Trust Fund Controls (addressed in other plans)
- f. Financial Processes at the U.S. Geological Survey (covered in Finance Transformation Action item 13)

Other Reportable Conditions:

- g. Controls over undelivered orders and accruals (covered by Transformation Action Item 4)
- h. Controls for recording and disclosing claims and assessments (covered by Transformation Action item 7)
- i. Controls over environmental liabilities (covered by Transformation Action item 4)
- j. Controls over revenue processes (covered Transformation Action item 4)
- k. Controls over Interior Franchise Fund (covered by Transformation Action item 14)
- l. Deferred Maintenance reporting (covered by Transformation Action item 6)
- Compliance with Laws and Regulations
- m. Debt Collection Improvement Act of 1996 (covered by Transformation Action item 4)
- n. Section 113 of Public Law 104-208 – Advance for Interior Franchise Fund (covered in Transformation Action item 14)
- o. Federal Financial Management Improvement Act of 1996 (covered by Transformation Action items 5 and 7)

The process also includes monitoring progress in correcting individual bureau internal control findings and non-compliance issues reported in the FY 2003 KPMG reports.

10. Metrics and Accountability. Develop metrics and an internal control process to measure progress against governmentwide financial requirements and Departmental goals to improve accountability for meeting financial requirements and the capability to resolve problems early.
11. Revamp Performance and Accountability Report (PAR). Revamp the Performance and Accountability Report to provide a more user-friendly document that will communicate a clear assessment of Interior's progress in meeting its accountability and performance reporting requirements.
12. Modernize Financial Management Systems. Implement the Financial and Business Management System to streamline financial operations and improve systems support to the Department and its bureaus. Streamline operations through better use of technology, leverage e-government initiatives into the Department and provide technology support to a world-class financial management operation.

13. *Improve Financial Processes at U.S. Geological Survey.* The U.S. Geological Survey does not have adequate procedures and controls to ensure timely and accurate financial transaction recording. Interior will develop and implement procedures and internal controls to ensure that USGS financial transactions are recorded properly and timely during the year. Specifically, Interior will:

- a. Improve the finance department at the U.S. Geological Survey to ensure that it has effective leadership, federal accounting experience, and authority to enforce financial policies.
- b. Re-design the financial processes at U.S. Geological Survey to ensure that they support recording financial transactions accurately and at the time the events occur.
- c. Ensure that the reportable condition is corrected.

Preparing Financial Statements and Correcting Financial Statement Audit Findings

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.

The audit process includes: (1) an opinion on the financial statements; (2) the results of the consideration of internal controls, and (3) the results of tests of compliance with laws and regulations.

Financial statement audit results are summarized in *Exhibit 3-1*.

Financial Statements

The objective is to maintain unqualified audit opinions on financial statements prepared by the Department and the bureaus.

FY 2003 Accomplishments

- *Preparation of the Department's seventh Accountability Report under an OMB-sponsored pilot program.* The FY 2002 Performance and Accountability Report included audited consolidated financial statements for the Department, which for the sixth year in a row, received an unqualified audit opinion. This report included enhanced segment and program information that linked financial and GPRA performance information.
- *Preparation and audit of FY 2002 financial statements for the Department's eight bureaus and operating components.* Of the eight audited Interior bureaus/offices issuing financial statements, six received unqualified audit opinions, indicating that the financial information presented was fairly stated in all material respects.

Exhibit 3-1

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Departmental Consolidated	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Fish and Wildlife Service	Unqualified	Unqualified	Unqualified	Unqualified	Qualified	Qualified	Qualified
U.S. Geological Survey	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Disclaimer	No Opinion
Bureau of Indian Affairs	Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified
Bureau of Land Management	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Minerals Mgmt Service	Unqualified	Unqualified	No Statements Prepared	Unqualified *	Unqualified *	Unqualified	Unqualified
National Park Service	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Bureau of Reclamation	Unqualified	Unqualified	Unqualified	No report issued	Unqualified	Unqualified	Unqualified
Office of Surface Mining	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Departmental Offices	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Qualified
Office of Insular Affairs	Unqualified	Unqualified	Combined with Dept Offices	N/A	N/A	N/A	N/A

* Custodial revenues only.

- *Participation in the Association of Government Accountants (AGA) Certificate of Excellence Program.* The Department's FY 2000, 2001 and 2002 Reports earned a Certificate of Excellence from the Association of Government Accountants. In addition, 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 was used to prepare the FY 2002 financial statements for the Department (see Chapter 4 for additional information).

FY 2004 Planned Actions

- Complete the preparation and audit of FY 2003 consolidated financial statements and bureau financial statements by the accelerated deadline of November 15, 2003.
- Begin the preparation and analysis of monthly bureau and Consolidated financial statements.
- 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.
- 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 2003 FACTS II submission from the

bureaus to the Department of the Treasury and improve the efficiency of the single departmentwide FACTS I submission.

- Develop standardized reports and footnote templates to improve the efficiency of the financial statement preparation and audit process.

Internal Control Findings From Audited Financial Statements

The objective for the Department is to achieve an auditor's Report on Internal Controls for the consolidated financial statement that has no material weaknesses identified. Individual bureaus also have goals to achieve an auditor's Report on Internal Controls with no material weaknesses. The material weaknesses reported in the Department's FY 2002 Report on Internal Controls are included in *Exhibit 3-2*.

FY 2003 Accomplishments

During FY 2003, the Department continued to correct material weaknesses identified by the financial statement auditors in their Report on Internal Controls. Significant accomplishments include the following:

- Corrective actions are in process on 30 of the 37 (81 percent) material weaknesses identified in FY 2002.
- Corrective actions for the Department's Information Technology material weakness is progressing and are targeted for completion by December 31, 2003.

FY 2004 Planned Actions

- Complete corrective actions for all material weaknesses identified in FY 2003.

Issues of Non-Compliance with Laws and Regulations

The objective for the Department is to achieve a Report on Compliance with Laws and Regulations prepared by the financial statements auditors associated with the consolidated financial statements published in the Accountability Report with no non-compliance issues identified. Individual bureaus also have goals to achieve a Report on Compliance with Laws and Regulations with no identified non-compliance issues. The 14 non-compliance issues reported in the Department's FY 2002 Report on Compliance with Laws and Regulations are presented in *Exhibit 3-3*.

Exhibit 3-2

FY 2002 Audited Financial Statements Material Weaknesses Remediation Status Report				
Bureau	Material Weakness Description	Corrective Action	Target Date	New Weakness or Carryover from FY 2001
DEPT	Inadequate General and Application Controls Over Financial Management Systems	Establish and implement controls and other safeguards to ensure that sensitive and critical financial data and systems are protected.	9/30/03	Carryover
DEPT	Inadequate Reconciliation of Trading Partner Data	Implement policies and procedures to ensure the timely reconciliation of trading partner data and a more streamlined and efficient year-end reporting process.	9/30/03	Carryover
DEPT	Inadequate Controls Over Property, Plant, and Equipment	Implement policies and procedures to ensure the proper accounting for and reconciliation of property, plant, and equipment.	9/30/04	Carryover
DEPT	Inadequate Controls Over Trust Funds	Implement the Department's High level Implementation Plan to achieve comprehensive Indian Trust reform, including vital improvements to systems, policies and operations necessary to ensure meeting the trust obligations to Indian tribes and individuals.	9/30/05	Carryover
DEPT	Financial Processes at the U.S. Geological Survey	Implement procedures and controls to ensure timely and accurate financial transaction recording.	9/30/04	New
DEPT	Controls Over Financial Reporting	Implement policies and procedures to improve transaction entry, reconciliations, grant monitoring, and activity-based costing.	9/30/04	Carryover
DO	Improve Controls to Reconcile Transactions and Balances with Trading Partners	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	Carryover
DO	Inadequate Accounting Controls Over Interior Franchise Fund	Establish and implement policies and procedures to monitor service provider disbursements, update pricing schedules, improve controls over receipts and accounts receivables, and improve software change control.	9/30/03	Carryover
DO	Inadequate Controls Over Tribal and Other Special Trust Funds	Implement policies, procedures, controls and systems to effectively manage Tribal and Other Special Trust Funds, and implement the HLIP as revised and amended.	9/30/05	Carryover
DO	Improve Controls Over Property, Plant, and Equipment	Work with the Utah Reclamation Mitigation and Conservation Commission to develop controls and procedures to properly record and report property transactions.	9/30/03	New
DO	Improve Controls Over Financial Reporting	Improve controls over year-end adjustment suspense accounts and communications with the Office of the Solicitor.	9/30/03	New
FWS	Improve Controls to Reconcile Transactions and Balances with Trading Partners	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	New
FWS	Improve Controls Over Accounting for Property	Implement policies, procedures, and controls to improve accounting for property.	9/30/03	Carryover
FWS	Improve Controls Over Year-End Accruals	Improve processes to identify and record year-end payables.	9/30/03	New
FWS	Financial Reporting Processes	Improve controls and processes associated with accounting and financial reporting.	9/30/03	Carryover
NPS	Inadequate Security and Controls Over Information Technology Systems	Develop and implement the Department IT Security Plan to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Carryover
NPS	Improve Controls to Reconcile Intra-governmental Transactions and Balances	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	New
BLM	Inadequate Controls for Accounting for Property	Implement procedures to consistently account for additions and deletions, and capitalized leases.	9/30/03	Carryover
BLM	Inadequate Controls for Accounting for Year-End Payables	Implement procedures to ensure year-end payables are completely captured and recorded.	9/30/03	New
USGS	Inadequate Security and Controls Over Information Technology Systems	Develop and implement the Department IT Security Plan to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Carryover

Exhibit 3-2 Continued

FY 2002 Audited Financial Statements Material Weaknesses Remediation Status Report				
Bureau	Material Weakness Description	Corrective Action	Target Date	New Weakness or Carryover from FY 2001
USGS	Inadequate Financial Management Organization Structure	Improve controls over processing field office data; delegate authority to ensure uniform administration of and compliance with accounting policies; review decentralized financial management systems and internal controls; and fill existing vacancies and provide accounting training programs.	9/30/03	Carryover
USGS	Inadequate Reconciliation of Proprietary, Budgetary, and Suspense Accounts	Conduct regular analyses and reconciliations of proprietary and budgetary accounts and routinely monitor compliance with Anti-Deficiency Act. Develop and implement procedures to ensure that the liability for suspense account is timely reconciled after month-end and implement a policy that all transactions are cleared in less than six months.	9/30/03	Carryover
USGS	Inadequate Account Analysis and Adjustments	Develop and implement procedures to ensure that all accounting adjustments are reconciled, adequately supported, timely, and independently reviewed throughout the year.	9/30/03	Carryover
USGS	Inadequate Controls Over Property, Plant, and Equipment	Implement policies and procedures to ensure the proper accounting for and reconciliation of Property, Plant, and Equipment.	9/30/03	Carryover
USGS	Inadequate Controls Over Revenue Cycle	Perform a study of the entire revenue cycle and consider redesigning or reengineering the process to achieve greater efficiency and simplicity.	9/30/03	Carryover
USGS	Inadequate Accounting for Inventory	Establish policies and procedures to account for map and hydrological inventory that will ensure full compliance with SFFAS No. 3 – Accounting for Inventory and Related Property.	9/30/03	Carryover
USGS	Working Capital Fund Compliance with Accounting Standards	Develop and implement a posting model to record fee-for-services and investment components of the working capital fund.	9/30/03	New
USGS	Inadequate Policies and Procedures	Document policies and procedures for all accounts having a material effect on the financial statements and train personnel in the application.	9/30/03	New
BOR	Inadequate Controls Over Land Inventory	Develop a complete and accurate inventory system that identifies by project all land and land rights.	9/30/05	Carryover
BIA	Inadequate Controls Over Processing Trust Transactions	Improve fiduciary controls over the processing of Trust transactions including segregation of duties, related party transactions, probate backlogs, and appraisal compacts	9/30/04	Carryover
BIA	Inadequate Security and Controls Over Information Technology Systems	Develop and implement the Department IT Security Plan to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Carryover
BIA	Inadequate Controls Over Financial Reporting	Recruit a Chief Accountant, implement a redesigned organizational structure, and implement a routine financial reconciliation process.	9/30/03	Carryover
BIA	Legal Liabilities	Develop a communication and tracking plan with the Solicitor to provide complete, accurate, and timely contingent liability data for financial reporting.	9/30/03	New
OST	Reliance on Processing of Trust Transactions in the Bureau of Indian Affairs	Work collaboratively with Departmental offices to monitor progress and ensure timely completion of trust reform subprojects.	9/30/03	Carryover
OST	Resolution of Financial Reporting Issues from Prior Periods	Continue to develop issue papers and action plans to address and resolve prior period issues.	9/30/03	Carryover

Exhibit 3-3

**U.S. Department of the Interior
Non-Compliance Issues Reported in
FY 2002 Audited Financial Statements
Status as of July 31, 2003**

<u>Bureau</u>	<u>Non-Compliance Issue</u>	<u>Corrective Action</u>	<u>Target Date</u>	<u>Status</u>
DEPT CONSOLIDATED	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements, accounting standards, and SGL at the transaction level	9/30/2004	On Target Improvements noted
DEPT CONSOLIDATED	Debt Collection Improvement Act of 1996	Establish a process in Fiscal Year 2003 to ensure eligible receivables are referred to the U.S. Department of Treasury in a timely manner.	8/31/2003	Problem Area NFR's in Dept. Offices and BIA
DEPT CONSOLIDATED	Section 113 of Public Law 104-208 - Advances for Interior Franchise Fund	Require customers to pay in advance, in accordance with the law or consider requesting the U.S. Congress to change the law governing this requirement.	9/30/2004	On Target
BOR	Compliance with the FFMIA	Improve EDP security and general control environment to comply with the federal financial management systems requirements.	9/30/2003	Problem Area Multiple IT NFR's
FWS	Compliance with the FFMIA	Improve EDP security and general control environment to comply with the federal financial management systems requirements, and accounting standards.	9/30/2003	Problem Area Multiple IT NFR's and real property issues
MMS	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and the SGL at the transaction -level.	9/30/2003	Problem Area Multiple IT NFR's
Interior Franchise Fund MMS	Section 113 of Public Law 104-208 - Advances for Interior Franchise Fund	Require customers to pay in advance for goods or services or request Congress to change authorizing legislation governing this requirement	9/30/2004	On Target
Interior Franchise Fund MMS	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and accounting standards.	9/30/2003	On Target
NPS	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements, accounting standards, and the SGL at the transaction level	9/30/2004	Problem Area Multiple IT NFR's
DEPT OFFICES	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and accounting standards.	9/30/2003	Problem Area Accounting std. NFR's
BIA	Debt Collection Improvement Act of 1966	Establish a process, in Fiscal Year 2003, to ensure eligible receivables are referred to the U.S. Department of Treasury in a timely manner.	8/31/2003	Problem Area Report NFR
BIA	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and accounting at the SGL transaction level	9/30/2003	Problem Area Multiple IT NFR's
USGS	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and accounting standards.	9/15/2003	Problem Area Multiple IT NFR's
BLM	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and accounting standards.	9/30/2003	Problem Area Multiple IT NFR's
Total	14			

FY 2003 Accomplishments

- The Department has initiated corrective action plans to address all non-compliance issues identified in FY 2002 with the exception of FFMIA (which requires Financial and Business Management System implementation). Progress has been achieved in corrective action plans for other non-compliance issues but they are not expected to be resolved in FY 2003.

FY 2004 Planned Actions

- Complete corrective actions for all non-compliance issues identified in FY 2002 (except those which require FBMS implementation), and new issues identified in FY 2003.

Linking Financial Reporting to Performance Reporting

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 the taxpayers want greater accountability in the management and operation of federal programs and GPRA is a key step toward achieving this goal.

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.

During FY 2003, the Department began to prepare a revised Strategic Plan covering FY 2004 to FY 2009. 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. During FY 2003, the following improvements were made:

- Continued refinement and testing of self-assessment tools for verification and validation of performance data across the Department;
- Development of a new integrated and outcome-oriented strategic plan that replaces the collection of process-oriented bureau plans, further refining the Department's mission.

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 2003 Accomplishments

- *FY 2002 Annual Report on Performance and Accountability.* FY 2002 was the first year that the Department combined the Annual Performance Report and the Accountability Report under the Annual Report on Performance and Accountability, enabling readers to see performance results and financial reporting in one document. The results for FY 2002 show that the Department met or exceeded 55% of the performance measures monitored. Although Interior did not fully meet 35% of the goals in accordance with stringent criteria for success (within 0.5% of the goal), the Department met an additional 18.5% at the 80% or greater level. Nine percent of the measures were not reportable because of insufficient data at the time of report publication. Performance data for the measures not reported in FY 2002 will be reported in the FY 2003 Annual Report on Performance and Accountability.
- *Activity Based Costing/Management (ABC/M).* During FY 2003, the Department is transitioning towards a full ABC/M model to integrate performance and budgeting. The Department of the Interior is expected to have fully functional ABC/M systems in place by October 1, 2003. A cost and performance reporting module will be deployed by January 1, 2004.
- *Senior Executive Service (SES) Performance Standards.* Interior's planning and human resource offices collaborated on how best to include performance results as part of each SES manager's performance appraisal. During FY 2003, SES performance evaluation and recognition will be based primarily on senior executive's accomplishments in performance elements that support their organization's relevant GPRA goals as well as financial and business performance.
- *FY 2004 Annual Performance Plan.* The FY 2004 Annual Performance Plan was published in FY 2003 in tandem with the FY 2003 Annual Performance Report.
- *GPRA Performance Tracking System.* The Department has implemented a Microsoft Access-based system to capture GPRA performance information to meet the GPRA reporting requirements on a departmentwide basis. The Department's Microsoft Access database is being used to collect quarterly performance measurement information and will be the basis for quarterly evaluations of progress in achieving GPRA goals. The system also supports data collection requirements for the Annual Accountability Report. This system will be replaced in FY 2004.

FY 2004 Planned Actions

- *FY 2003 Annual Performance and Accountability Report.* Under the Reports Consolidation Act of 2000, the Department is required to combine the Annual Performance Report and the Accountability Report into a Performance and Accountability Report. The combined report is due to Congress on November 15, 2003.

Improving Budget and Performance Integration

One of the key objectives of the GPRA is to help Congress, OMB, agency executives, and managers to 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 organizations to reassess 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:

1. An initial step in integrating performance structures is the strategy of aligning the budget program activities with the strategic plan goals and measures.
2. 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 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.
3. A final step in linking budget with performance results is to understand the cost of performance. The Department is implementing an Activity Based Costing Management (ABC/M) model to achieve this objective.

ABC/M is a management tool that attempts to ensure that every dollar spent by an organization is traced to products or services in order to identify the cost to the organization of delivering those products or services. Indirect costs are allocated to products and services. An ABC/M 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. The ABC/M 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/M system. The Department held a workshop in July 2002 to define pilot work processes and activities across seven cross-bureau areas (law enforcement, invasive species, recreation, maintenance, indirect costs, wildland fire, and litigation) to begin implementing a departmentwide ABC/M system. Subsequent efforts have resulted in a set of activities to describe all the work in Interior. Further, ABC/M 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 specific outputs (e.g., cost of riparian improvements). All of the bureaus and offices will have systems in place and operational by October 1, 2003.

Correction of Federal Financial Management Improvement Act Deficiencies

The Federal Financial Management Improvement Act (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; establish financial management systems that meet governmentwide standards and requirements; and support full disclosure of federal financial data, including the costs of federal programs and activities. Federal agencies are required to address compliance with the requirements of the FFMIA in the representation letter to the financial statement auditor. The auditor is required to report on the agency's compliance with FFMIA requirements in the financial statement audit opinion. If an agency is not in compliance with the requirements of the FFMIA, the agency head is required to establish a remediation plan to achieve substantial compliance. As a result of the material weaknesses identified in security and other controls over information technology systems and resources during the FY 2001 financial statement audit, Interior concluded that its financial management systems did not substantially comply with the financial management systems requirements of the FFMIA. In addition, the results of the financial statement audit did not allow Interior to conclude that it was in substantial compliance with all applicable federal accounting standards.

The Department is in the process of developing a remediation plan to correct the material weaknesses in security and other controls over information technology systems and resources as well as comply with all federal accounting standards. The corrective actions are targeted for completion by 2004.

Remediation Plan

Information Technology Security. Interior has developed an Information Technology (IT) Security Plan to improve controls over financial and information technology systems and to protect information resources. The implementation of the IT Security Plan should bring Interior's financial management and information technology systems into substantial compliance with the requirements of the FFMIA and OMB Circular A-130, "Management of Federal Information Resources."

IT Security Management Structure. The Department's IT Security Management Structure is aimed at providing a framework and a continuing cycle of activity for managing risks, developing and implementing security policies, assigning responsibilities, and monitoring the adequacy of Department and bureau information technology system controls.

Segregation of Duties. In some instances, the Department has not ensured proper segregation of duties for personnel working with information technology systems and applications through its policies, procedures, and organization structures. As a result, it is possible for a single individual to control key aspects of system-related information operations and thereby possibly conduct unauthorized actions or gain unauthorized access to assets or records without detection. The Department's IT Security Plan will require review and restructuring of employee roles and responsibilities to achieve a higher degree of segregation of duties in information technology system-related operations.

Access Controls. In some instances, the Department has not established access controls that limit or detect inappropriate access to information technology systems and related resources, thereby increasing the risk of unauthorized modification, loss, or disclosure of sensitive or confidential data. The Department will take action to secure network vulnerabilities and improve access control deficiencies in each of the following areas: network configuration management; password management; monitoring of security violation logs; access to program and sensitive files that control computer hardware and sensitive applications; and, other physical security controls.

Software Development and Change Controls. The Department does not have adequate controls over application software development and change controls for all of its information technology systems and applications. The Department's IT Security Plan will seek to ensure that appropriate policies, procedures, and operational controls are developed and implemented to prevent unauthorized system, program, or application modifications.

Service Continuity. The Department does not have adequate controls in place in all bureaus, programs and operations to minimize the risk of unplanned interruptions, to recover critical operations and to protect data should interruptions occur. The Department IT Security Plan provides a framework for all bureaus and offices to: identify critical operations and resources; prioritize data and operations; document emergency processing priorities; provide current backup tapes and files to secure off-site facilities; and ensure that comprehensive Continuity of Operations Plans are established and communicated for all major system applications and operation centers.

National Business Center. Interior's National Business Center (NBC) administers several financial management systems for its bureaus and external agency customers including the Federal Personnel and Payroll System, the Federal Financial System, Hyperion, and the Interior Department Electronic Acquisition System. Material weaknesses and other control deficiencies recently identified could affect the NBC's ability to prevent and detect unauthorized access and changes to its financial information, and increase the need for costly and less efficient manual controls to monitor and reconcile financial information. Although the NBC has taken prompt action to improve security and controls for its information technology systems, the NBC will take steps to improve entity-wide security planning, system configuration and operating systems, system software controls, software development and change controls, and service continuity.

Federal Accounting Standards. Interior will also fully develop and implement strengthened procedures and controls to ensure that financial statements and related disclosures are prepared in accordance with federal accounting standards.

Ensuring Management Accountability and Control

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 decision-making at all levels.

To reinforce its commitment to a sound system of management, administrative, and financial system controls, Interior has established an annual GPRA Performance Goal which measures progress in completing corrective action plans for Federal Managers' Financial Integrity Act (FMFIA) material weaknesses by the original planned targeted completion date.

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.

To reinforce its commitment to improving the efficiency and effectiveness of programs and operations through the results of OIG and GAO audits, Interior has established an annual GPRA Performance Goal which measures progress in the timely implementation of OIG and GAO audit recommendations referred to Interior for tracking of implementation.

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 the 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.

Exhibit 3-4 provides a summary of the 11 material weaknesses carried over from FY 2002.

Exhibit 3-4

Pending FMFIA Material Weaknesses as of September 30, 2002			
Bureau	Material Weakness	Corrective Actions	Target Correction Date
Mission Critical Material Weaknesses			
OST, BIA, and OS/OHTA	<u>Trust Fund Management</u> : The OST's conversion to a commercial trust fund accounting system and the implementation of enhanced OST management controls during FY 2002 ensure that all collected trust funds are properly accounted for. The remaining items to correct this material weakness include: (1) OHTA's historical accounting; and (2) strengthening the existing system of controls to ensure that BIA ownership and distribution information is correct.	Departmental trust policies, procedures, systems, and internal controls will continue to be improved and training provided to achieve the goals of the Comprehensive Trust Management Plan.	FY 2006
OST and BIA	<u>Records Management</u> : Long standing deficiencies in the records management program have made it difficult to ensure the maintenance and preservation of Indian Trust records.	An updated work plan with strategies, tasks, timelines and resource requirements has been developed by the Office of Trust Records. The implementation of this work plan will resolve many of the identified deficiencies and establish an active and comprehensive records management program for BIA and OST.	FY 2006
NPS (new)	<u>Oil and Hazmat Incident Preparedness and Response Program</u> : The lack of an adequate oil and hazardous material incident preparedness and response program seriously endangers the safety of the public, employees, and park resources.	NPS will develop and implement a comprehensive corrective action plan to ensure full and complete compliance with applicable laws, regulations, executive orders, and policies to ensure the safety of the public, employees, concessionaires, and park resources.	FY 2005
NPS	<u>Inadequate Structural Fire Program</u> : The current program does not provide adequate protection of employees and visitors, contents, structures, and resources from the effects of fire as required by Director's Order No. 58.	NPS will develop and implement a comprehensive structural fire program plan as directed by Congress. The plan will include specific milestones to address the operational, organizational, technical, and staffing deficiencies cited in the May 2000 GAO audit report and July 2000 congressional hearing on fire safety failures of the NPS.	FY 2004
DEPT	<u>Inadequate Information Technology (IT) Security</u> : The increasing growth in electronic commerce and the growing vulnerabilities of information systems to unauthorized access have resulted in the need for a comprehensive improvement to IT security.	The Department has conducted a comprehensive IT security assessment to determine security and control issues in bureaus and offices. Based on the findings, the Department has developed and will implement a comprehensive information security plan, including capital budgeting requirements.	FY 2004
DEPT	<u>Inadequate Wireless Telecommunications</u> : The current wireless telecommunications program in some bureaus does not effectively support bureau and public safety operations, does not comply with Department management directives, and is not funded to achieve timely compliance.	The Department will develop and implement a plan to meet employee and public safety objectives, and restore the program to efficiency by reviewing bureau narrowband capital investment and implementation plans; revise plans to maximize radio system sharing, minimize supporting infrastructure requirements; and ensure maximum use of alternative wireless services.	FY 2004
DEPT	<u>Inadequate Departmentwide Maintenance Management Capability</u> : Interior lacks consistent, reliable, and complete information to plan for, budget, and account for resources dedicated to maintenance activities.	Identify and implement a comprehensive maintenance management system with an appropriate linkage to the accounting system; conduct comprehensive condition assessments; make determinations to repair, replace, or relocate facilities; develop a five-year Deferred Maintenance Plan and Capital improvement Plan; repair, replace, and relocate facilities to "good condition"; and reduce deferred maintenance to established goals (5 percent or less of replacement cost).	FY 2004

Exhibit 3-4 Continued

Pending FMFIA Material Weaknesses as of September 30, 2002			
Bureau	Material Weakness	Corrective Actions	Target Correction Date
Other Material Weaknesses			
BIA	<u>Irrigation Operations and Maintenance</u> : The establishment of irrigation assessment rates and collection, recording, investment, and utilization of irrigation receipts are inadequate. Operation and maintenance (O&M) receivable balances have not been kept current and billing and debt collection processes have not been consistently followed.	Publish 25 CFR 171 A and B as a Final Rule. Reconcile past O&M receivables and bring all accounts to current status. Develop Operations Handbook regarding project operation and keeping O&M assessments and collection processes current. Convert irrigation project billings and collections to the National Irrigation Management Information System (NIIMS) and interface with Federal Financial System (FFS).	FY 2004
BLM (new)	<u>Land Appraisal Function</u> : Management and oversight of the land appraisal function does not ensure that objective and independent market value opinions from qualified appraisers are used in land transactions.	Contract for an independent analysis and review of all appraisals in pending land exchange transactions. Establish a multi-agency team to review and identify systemic appraisal function deficiencies and propose appropriate corrective actions.	FY 2004
FWS	<u>Inadequate Management Controls and Audit Follow-up in the Federal Aid Program</u> : The absence of effective management controls, a centralized audit follow-up program, and guidance governing the administration of the Federal Aid Program has resulted in the ineffective management oversight and accountability for Federal Aid grant funds on a Servicewide basis.	Federal Aid process improvement teams will review reported program deficiencies in the Federal Aid Information Management System, Financial Reconciliation, Safety Margin, Grant Operations, Audit Review and Resolution, and Organization Function and Staffing Review. FWS management will evaluate the findings and recommendations of the process improvement teams and develop and implement comprehensive guidelines and organizational changes to govern the administration of the Federal Aid Program.	FY 2003
BOR	<u>Inadequate Land Inventory and Financial Reconciliations</u> : The Bureau does not have a complete and accurate inventory system to support \$1.7 billion in land and land rights.	BOR will: (1) conduct reconciliation and research to validate the accuracy of land records; (2) populate new real property system (Foundation Information for Real Property Management or FIRM) with such data; (3) develop and issue policy and procedures to ensure future quality, accuracy, and completeness of data captured in the lands and finance systems; and (4) conduct an initial and periodic reconciliation between the detailed land data maintained in FIRM and the financial accounting system to ensure the quality of information contained in both systems.	FY 2005

FY 2003 Accomplishments

- *Provided Reasonable Assurance Objectives Were Met.* Based on the preliminary results of the management control self-assessments being performed for FY 2003 as reported in the mid-year and fiscal third quarter progress reviews, the Department expects to again provide reasonable assurance to the President and the Congress that, with the exception of the concerns regarding the controls over the accuracy of ownership records and proprietary account balances in the Indian Trust Fund, 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.
- *Corrected Material Weaknesses.* By the end of FY 2003, the Department expects to complete the corrective action plan (CAP) for one of eleven pending material weaknesses carried over from FY 2002. The CAP for the U.S. Fish and Wildlife Service Federal Aid Program material weakness was the only CAP targeted for completion in FY 2003. All but two CAP milestones were completed as planned by the end of the third fiscal quarter, and the remaining CAP milestones are expected to be completed on or before the end of the fiscal year.

The expected FY 2003 completion rate of 100 percent will exceed the Department's GPRA goal of 80 percent. Since the inception of the FMFIA, the Department has identified and reported 172 material weaknesses and 65 accounting system non-conformances. By the end of FY 2003, the Department expects to have corrected 162 of the total reported material weaknesses (94 percent) and 64 of the 65 accounting system non-conformances (98 percent). As a result, the Department expects to carry forward 10 pending material weaknesses into FY 2004, of which six are expected to again be identified as mission critical weaknesses.

- *Issued the FY 2002 Performance and Accountability Report.* The Department issued the FY 2002 Performance Accountability Report by the statutory due date of January 31, 2003. This marked the third consecutive year the report was issued by the statutory due date, and the first year the Annual Performance Report required by the GPRA was integrated into the Annual Accountability Report. The Department attained a total of six unqualified audit opinions on bureau and consolidated financial statements, two qualified audit opinions, and no opinion was issued for the U.S. Geological Survey. Thus, the Department failed to meet its goal of ten unqualified audit opinions. In June 2003, the Department was advised that it would again be awarded the Certificate of Excellence in Accountability Reporting (CEAR Award) for its FY 2002 Performance and Accountability Report, marking the third consecutive year the Department was selected as a recipient for this distinguished award. The Department is one of only six agencies to receive the CEAR Award, and one of only two agencies to receive the CEAR Award for three or more consecutive years.
- *Department Management Control and Audit Follow-up Scorecard.* The Office of Financial Management developed an internal quarterly management reporting scorecard to monitor bureau and office progress in meeting five major elements of the Management Control and Audit Follow-up programs. The scorecard format was designed to be consistent with the format used by OMB to track progress in Financial Management Improvement Initiatives under the President's Management Agenda. The program elements being monitored include: the status of management control review plans; the timely completion

of FMFIA material weaknesses corrective actions; the timely completion of audited financial statement material weaknesses and non-compliance issues; and the timely implementation of OIG and GAO audit recommendations.

FY 2004 Planned Actions

- Continue the management control and audit follow-up scorecard and quarterly status reporting program with bureaus and offices to better support the accountability goals of the Administration and the oversight performed by the Department.
- Complete corrective actions on the four pending material weaknesses carried over from FY 2003 with planned completion dates in FY 2004.
- Assist bureaus in implementing and becoming more proficient in the use of the Web-based version of the management control automated assessment tool.
- 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.
- Continue recent performance in the achievement of the Association of Government Accountant's Certificate of Excellence in Accountability Reporting (CEAR) Award.

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 2003 Accomplishments

- *Ensured the Quality of Non-Federal Audits.* During FY 2003, the OIG planned and expected to complete desk reviews of more than 200 single audit reports that were submitted 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 2001 and 2002. 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 identified, 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 work papers. Overall, the OIG concluded that the audits reviewed complied with the Single Audit requirements.

- *Enhanced the Audit Tracking System.* The Office of Financial Management's Audit Follow-up Program staff implemented series of enhancements to its audit tracking system, a system developed internally in FY 2002 using Microsoft Access software. The tracking system facilitates more timely and effective monitoring of bureau and office audit recommendation implementation, and provides support for program performance statistics. The system enhancements enabled the Office to improve ad hoc reporting capabilities and consolidate tracking of both programmatic and financial statement audit recommendations. In addition, the tracking system is being utilized by the OIG to provide needed data for its semi-annual reports to Congress.
- *Improved the Closure Rate of Internal Audits.* Internal audits are audits conducted by the OIG of the programs, organizations, and administrative operations of the Department. During FY 2003, over 80 internal audits were being tracked and monitored. The Department expects to close 32 audits (40 percent) and over 68 percent of all pending audit recommendations by the end of the fiscal year.

FY 2004 Planned Actions

- Continue the quarterly status reporting program with bureaus and offices to better support the accountability goals of the Administration, and the oversight performed by the Department's Management Control and Audit Follow-up Council.
- Complete 12 quality control reviews of non-federal audits each fiscal year, subject to resource availability, and continue to meet the requirements of the Single Audit Act and OMB Circular A-133.
- Continue to improve the rate of implementing audit recommendations, collecting disallowed costs, and closing audits.
- Continue 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 timely implementation of audit recommendations.

Improving Asset Management and Financial Operations

At the end of FY 2002, the Department held assets valued at approximately \$50 billion on the balance sheet, including more than \$16 billion in physical assets, more than \$25 billion in fund balance with Treasury of which over \$18 billion are restricted financial assets related to Land and Water Conservation Fund, Reclamation Fund, Historic Preservation Fund, and the Aquatic Resources Trust Fund. Other assets include accounts receivable, loans, and inventory and operating materials. In addition, the Department manages stewardship assets including over 500 million acres of America's land mass and serves as steward for the natural and cultural resources associated with these lands; has stewardship responsibility for over 3,400 National Parks, Fish and Wildlife Refuges, National Scenic and Historic Trails, National Monuments, and National Conservation Areas; maintains museum collections containing more than 132 million museum objects including 71 million artifacts and specimens and 61 million documents; and other assets such as library collections.

It is critical for the Department to manage these assets to the benefit of the public by properly carrying out its stewardship responsibilities for the assets, and to benefit the mission of the Department. The benefits of improved asset management are more productive use of assets in carrying-out mission functions, better management of administrative costs though more efficient use of resources and more accurate cost projections.

The assets include:

- Financial assets consist of cash and other monetary assets and receivables held by the federal government. Examples of financial assets include direct loans, guaranteed loans acquired after default, cash balances, and accounts receivable.
- Physical assets consist of real and personal property owned by the federal government. Examples of real property include buildings and land; examples of personal property include computer systems, motor vehicles, and office supplies.

Further, for the effective operations of the Department, it is critical that financial management processes are operated in an effective and efficient manner. This section addresses the management of financial assets, the management of physical assets, and improvements in financial operations.

Management of Financial Assets

Effective management of receivables, costs, and collections is a critical component of the Department's overall ability to account for 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 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.

FY 2003 Accomplishments

- As of June 30, 2003, the Department had referred only 16 percent of the 180-day delinquent debt to the U.S. Treasury for cross-servicing in accordance with the Debt

Collection Act of 1996. We are working with BIA, MMS, and FWS to improve performance and correct debt referral reporting issues before the end of FY 2003

- Continued the special initiative to confirm and refer appropriate Bureau of Indian Affairs (BIA) delinquent debts to the U.S. Treasury for cross-servicing and added special initiatives with MMS and FWS.
- Jointly hosted a comprehensive debt referral and Treasury Report on Receivables workshop in April 2003 with Treasury's Financial Management Service which was attended by key bureau-level debt management employees.

FY 2004 Planned Actions

- Continue a special effort with BIA and MMS to refer all eligible delinquent receivables over 180 days past due to the U.S. Treasury.
- Refer 93 percent of all eligible delinquent receivables over 180 days past due to the U.S. Treasury for collection via cross-servicing and/or offset.

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 Activity Based Costing/Management (ABC/M) Work Group continued its work to begin implementation ABC throughout Interior by the beginning of FY 2004. In addition to accounting for costs, improved 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 services 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.
- *Use Credit 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.

- *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.

FY 2003 Accomplishments

- Integrated performance information with the accountability report for FY 2002.
- Estimated program savings (net of contractor costs) for FY 2003 for controlling unemployment compensation costs will be approximately \$1.9 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 2003.
- Established departmentwide cost accounting work group to ready the Department’s financial systems to prepare cost reports on all departmentwide activities.

FY 2004 Planned Actions

- Make appropriate adjustments to improve the implementation and use of ABC/M data throughout the Department, and to continue to improve the linkage of performance data within the budget process.
- 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.
- Continue the departmental effort to recover vendor payment errors through the use of recovery auditing techniques.

User Fee and Cost Recovery Activities

The Department administers a substantial user charge program. The Department collected fees totaling \$689 million from approximately 100 cost recovery activities and approximately \$8 billion from other user fee activities including royalties, rents, and bonuses related to minerals, timber, and other uses of federal lands in FY 2002. Using biennial review data collected as part of fulfilling the requirements of the CFO Act, 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.

FY 2003 Accomplishments

- Performed a review of its cost recovery activities, updated the departmentwide user fee database, and prepared a summary report of cost recovery activities based on FY 2002 results.

FY 2004 Planned Actions

- Perform the biennial review of fees required by the CFO Act and improve pricing structures to achieve full cost recovery, where appropriate.

Unclaimed Assets Recovery

During the summer months we have used a summer intern 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. This effort began in the summer of 1999 and has continued since to recover unclaimed assets related to Interior programs in a very cost effective manner.

FY 2003 Accomplishments

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

FY 2004 Planned Actions

- Continue the annual follow-up with the states to identify any unclaimed assets due the Department. Where identified, continue to file claims with the states to recover the unclaimed assets of the Department.

Managing Physical Assets

During FY 2003, 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.

FY 2003 Accomplishments

- *Improving Property Systems.* 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 intends to establish an integrated property system, as a module of the Financial and Business Management System (FBMS) 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.

The Department entered into an agreement with the Oregon State Agency for Surplus Property (ORSASP) to use their efficient on-line asset auction service. The Agreement provides for Interior bureaus/offices to access the ORSASP's Electronic Commerce and Marketing resources (on-line auctions/sealed bids) for the public sale of vehicles, equipment, and personal property items. Based on preliminary estimates for FY 2003, the Department realized over \$2,500,000 in sales proceeds through this program.

Annually, DOI donates large quantities of equipment to schools and non-profit activities. In FY 2003, DOI donated nearly \$23 million of excess equipment to schools and non-profits. The disposal of obsolete computers and other electronics is a growing environmental issue nationwide. Most electronics contain materials that are hazardous to health and safety. The Department is working with the Federal Prisons Industries (UNICOR) to revise the existing Memorandum of Understanding (MOU) to recycle obsolete computers and electronics. All materials disposed of through this MOU are either recycled or disposed of in an environmentally sensitive manner. In addition, the Department is working with the Department of Defense to establish an MOU for DOI offices to drop off excess electronics at Defense Reutilization sites for transfer to UNICOR.

In November 2002, the Department joined with the Federal Environmental Executive, Environmental Protection Agency, and Department of Justice to host a Federal employee electronics drop-off day on the grounds of the Washington Monument. Employees brought their old or obsolete personally owned electronics to the drop-off site and all items were then transported by UNICOR for disposal. As a result of this employee drop-off event, over thirty tons of electronics were disposed of in an environmentally sensitive manner.

The Office of Acquisition and Property Management (PAM) issued a revised Interior Property Management Directive 114-60, Personal Property Management. This revised directive addressed changes in identifying capital versus operating leases, capitalization thresholds, financial accounting for transfers, and report of survey actions.

In addition, PAM issued the Real Property Financial Policy and the Real Property Financial Guidelines. The policy and guidelines established the financial management requirements in relationship to real property assets and the procedures to account for real property assets.

FY 2004 Planned Actions

- *Improving Property Systems.* Continue to address needed enhancements for a standardized property system by providing strong support for the FBMS project, in collaboration with the Property Management Partnership (PMP). The FBMS will be the fundamental functionality-driven solution supporting administrative management of the Department; hence, it represents a critical and intrinsic part of DOI's business architecture. By implementing standard data elements and administrative processes across the Department, FBMS will be a key means to apply the Department's business architecture and make it a reality. The eight functions included in this project are:

1. Budget Formulation
2. Acquisition
3. Travel
4. Real Property
5. Core Financial
6. Personnel Property and Fleet Management
7. Financial Assistance
8. Enterprise Management Information

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. A request for quotations was issued in August 2003 for vendors to participate in the FBMS project. Property management enhancements include the following:

1. The PMP will expand efforts to standardize and streamline personal and real property systems by contacting each bureau/office to determine the extent of common requirements that are needed to interface with the Department's planned FBMS project initiative.
2. The PMP has implemented, and will continue 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 on-line 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 has entered into an agreement with ORSASP and will continue to use this auction service. The Agreement provides for Interior bureaus/offices to access the ORSASP's Electronic Commerce and Marketing resources (on-line 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 was developed to establish a nationwide recycling and de-manufacturing program for Interior's unserviceable electronic assets. Because many of DOI's facilities are located in rural areas, the Department will continue to work with DOD to establish "drop off" sites to address the logistical coordination necessary to expand this initiative in FY 2004 and meet the requirements of the UNICOR MOU.
5. As part of the FY 2003 Departmentwide performance assessment, bureaus and offices reported on two areas of specific interest: (1) motor vehicle home to work authorizations and reporting requirements; and (2) real property. The information provided by the bureaus and offices in response to the FY 03 reporting requirement will be used in

evaluating the management of home to work usage, and identify real property staffing levels, bureau policies, bureau specific authorities, financial control, and the budget and management plans.

6. In coordination with the PMP, the Office of Acquisition and Property Management will develop and implement web-based property management training to be made available departmentwide.

Improving Financial Operations

Rapid technological changes and process re-engineering have contributed greatly to the continuous modernization of payment processing and business methods/practices. It is a continuous Department effort 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;
- Identifying high payoff areas for streamlining processes and upgrading technology;
- Providing assistance to bureaus in developing requirements;
- Measuring performance; and
- 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 the processing/depositing of cash receipts more 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 2003 Accomplishments

- Continued efforts to convert to electronic collection methods.

FY 2004 Planned Actions

- Continue to work with Treasury's Financial Management Service to implement check conversion processing.
- Continue to use the Plastic Card Collection Network (PCCN) and Automated Clearinghouse for collecting funds due the Department.

Improving Payment Processes

In performing its functions, the Department annually processes over two million (non-payroll related) payments, which account for expenditures in excess of \$6 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, etc.), 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, advances in technology have aided payment processes. 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.

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 \$650 million in 2003. 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 actions; and has provided additional benefits through volume-based charge card refunds which accrue to the Department.

FY 2003 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.
- Continued to make progress in compliance with electronic funds transfer (EFT) requirements of the Debt Collection Improvement Act of 1996 (DCIA).

- Continued a departmental electronic funds transfer-tracking system to measure progress towards increasing the number of payments made electronically. As of June 30, 2003, 87.8 percent of vendor payments and 99 percent of salary payments were made via EFT.

FY 2004 Planned Actions

- Pursue additional opportunities for streamlining administrative functions, potential areas include:
 - Increase use of electronic purchasing; and
 - Additional streamlining of the travel process and related payments.
- Continue to eliminate imprest funds to the maximum extent possible
- Continue to convert paper check issues to electronic payments as required by the Debt Collection Improvement Act of 1996.

Preventing Erroneous Payments

The President's Management Agenda identifies erroneous benefit and assistance payments as a governmentwide issue. Passage of the Improper Payments Information Act of 2002 requires federal agencies to perform assessments of their programs to estimate and report the approximate extent of erroneous or improper payments. Interior has been working to identify and eliminate erroneous payments over the past several years and will intensify this effort based on the requirements of the Improper Payments Information Act of 2002 and the requirement to perform recovery audits.

FY 2003 Accomplishments

- Continued to measure performance related to the Single Audit Act disallowances and recoveries.
- Continued to use the services of pre-payment auditors for government bills of lading.
- Contracted with a recovery auditing firm to begin a departmentwide recovery auditing effort.
- Established a departmental action plan for implementing the Improper Payments Information Act of 2002.

FY 2004 Planned Actions

- Require bureaus to perform risk assessments of program payments as part of the Department's FY 2004 Management Control Program to determine programs with a relatively high risk of making improper payments.
- Perform Departmental Functional Review (DFR) of all payment types by payment area (i.e., payroll, vendor payments, charge card, and grants).

- Estimate the number and amount of erroneous payments made by the Department and report this data in the FY 2004 Performance and Accountability Report.
- Continue to measure Single Audit Act disallowances and continue to increase recoveries.
- Increase the usage of pre-payment and post-payment recovery auditing contractors.

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; and
- Improving payment processing (including front-end procurement processing, increasing communication between procurement and finance staffs, and using remote data entry in field offices when practical).

FY 2003 Accomplishments

- As of June 30, 2003, the Department achieved an overall 98 percent rate of invoice payments that do not require late penalties under the Prompt Payment Act.

FY 2004 Planned Actions

- Continue to reduce the number of payments requiring interest penalties.
- Increase the use of electronic payment mechanisms by increasing the use of purchase cards.
- Continue to collect monthly prompt payment reports and to closely monitor payment 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. Six of the Department's nine bureaus have been able to achieve a greater than 97 percent on-time payment history in FY 2003 to date.

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 one percent by FY 2005. 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;
- Providing last known address to the charge card contractor of former employees who owe balances; and
- Implementing salary offset of current employees for recovery of delinquent charge card accounts based on a request from the contractor.

FY 2003 Accomplishments

- Continued and enhanced monthly reporting of delinquencies to management;
- Continued salary offset of current employees for recovery of delinquent charge card accounts; and
- Provided additional training to cardholders and approving officials.

FY 2004 Planned Actions

- Continue to review delinquency reports from the bank to monitor bureau 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 2 percent of the total outstanding balance by bureau (excluding former employees).

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 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 of DOI's major buying offices.

Electronic commerce capabilities available through IDEAS include solicitations, 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 1.3 million in FY 2002, an increase of more than thirteen-fold. Dollars awarded through purchase cards in the same time frame increased from \$17 million to \$470.7 million, an increase of more than twenty-seven-fold. As of June 30, 2003, the Department obligated over \$289.2 million in purchase card transactions in FY 2003.

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 2002, these percentages increased to 97.0 percent and 69.7 percent respectively. As of June 30, 2003, 96.6 percent of all FY 2003 small purchase actions under \$25,000 were made with the purchase card. The Department established a long-term goal of 90 percent of all purchases under \$2,500 made with a purchase card. By reaching 96.6 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.

Also, as indicated in Chapter 2, in FY 2003, the Department of the Interior, its bureaus and offices actively supported the Presidential Management Agenda requirement to expand Electronic Government to include use of the Central Contractor Registration (CCR) as the single validated source of data on vendors doing business with the Government and to facilitate vendor enrollment for EFT. Vendors were notified throughout the year, and the CCR registration requirement was implemented Departmentwide. The Interior Department Electronic Acquisition System (IDEAS) has interfaced with the CCR since 2001 and has been used by Interior acquisition and finance personnel as a source of a wide variety of vendor information, including product/service data, addresses, and payment information.

FY 2003 Accomplishments

- Continued to provide web-based training to Integrated Charge Card Program Approving Officials (AO). Over 11,000 employees were trained between April 2002 and the end of the third quarter of FY 2003.
- Launched Integrated Charge Card Program Agency/Organization Program Coordinator (A/OPC) web-based training in the first quarter of FY 2003. By June 30, 2003 over 1,000 employees had completed the training.
- Provided Integrated Charge Card Program Reports Distribution System training to A/OPC's throughout the country. The Reports Distribution System is a tool that facilitates A/OPC management and oversight of the charge card program by generating most frequently used reports.
- By the end of the second quarter, Interior earned \$2.882 million in rebates in FY 2003.

Planned FY 2004 Actions

- Continue an integrated charge card solution for the purchase, travel, and fleet business lines under GSA's SmartPay program.
- Continue 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 cardholders.

- Continue consolidating the account setup and maintenance functions for the travel, purchase, and fleet business lines.
- Maintain a “daily pay” capability.
- Strive to increase usage of Web-based electronic commerce by all remaining major purchasing offices.
- Maintain the IDEAS-EC link to the designated governmentwide point of entry, FedBizOpps, for all required solicitations and synopses.
- Test cardholder training for purchase business line (including convenience checks), and travel business line. If launched, this would be a first ever mandatory training program for travel cardholders.
- Continue IDEAS interface with the CCR, and to advise and assist vendors with the CCR registration requirement.

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) serves as a departmental administrative center of excellence for a wide scope of activities. NBC is responsible for providing a full range of financial and administrative services and support and aviation management on a national level to the Office of the Secretary, Department bureaus and offices, and numerous other federal agencies. The NBC serves as host to numerous departmental administrative systems, supporting the functions of personnel, aviation safety and acquisition, finance and accounting, procurement and contracts, space and quarters management, and real and personal property management.

Specifically, the NBC provides:

- Federal payroll and personnel processing systems (FPPS & Quicktime) and services;
- Financial management systems (FFS & Momentum) and operations, including operational reviews, Treasury reporting, and training;
- Acquisition systems (IDEAS & FPDS) and services;
- Property management systems (Fixed Assets and Inventory Subsystems) and services;
- Electronic commerce;
- OIG cost negotiation team services;
- Aviation policy and fleet services;
- Human resources services;

- Information resource management systems and services, including Internet publishing;
- Telecommunications;
- Printing, graphics, and reproduction;
- Facilities management including space planning, leasing and alteration services and building maintenance, appraisal services, indirect cost negotiation services;
- Transportation and travel services;
- Quarters management services;
- Document management services;
- Mail management services, and
- Training and development services through four learning centers managed by the DOI University

The NBC also offers specialized employee services such as security clearances, medical services, drug testing, worker's compensation case management, and the accessibility technology center.

The Department operates the NBC on a full cost-recovery business basis.

FY 2003 Accomplishments

- Collaborated with bureaus through newly-formed WCF Consortium to improve delivery of administrative services, with Aviation Management Board of Directors to improve delivery of aircraft services, and with OPM and OMB to standardize and consolidate Federal payroll operations into two governmentwide partnerships (E-Payroll).
- Developed and delivered ABC/M training for the department and provided over 1700 other on-line courses to Interior employees nationwide.
- Converted 6 new clients to FFS and in the process of implementing QuickTime T&A system departmentwide.
- Exceeded departmental competitive sourcing goal of 15% and was recognized by National Center for American Indian Enterprise Development for awarding contracts to Native American/tribally owned firms.
- Partnered with DOD to purchase 508 compliant assistive technology and with 32 other agencies to design the Lewis and Clark Bicentennial Web site.
- Developed the Invoicing Web Application to support E-Commerce, an Electronic Customer Agreement System to standardize and streamline NBC business practices, and an Electronic Document Tracking System for concurrent routing, review, and editing of NBC policies and procedures.
- Reorganized NBC to consolidate like functions, eliminate redundancy, and increase transparency; established new office for strategic planning, performance management; and oversight; and established a management control and audit follow-up council.

- Appointed NBC security officer, developed and issued critical NBC-wide policies and procedures on information security, information classification, and content guidelines for the Internet, and completed computer security training for 100% of NBC employees.
- Developed NBC-wide and business-line specific strategic and intermediate performance goals and measures.

FY 2004 Planned Actions

- Expand customer base for technology oriented services to achieve greater economies of scale.
- Implement ABC/M for the remaining NBC business lines and the Office of the Secretary.
- Implement more detailed account code structure to capture cost information by business line, product or service, customer, job and task, and activity.
- Provide support as needed to the departmental FBMS project.
- Implement service level agreements for all business lines.
- Continue to make improvements in IT security throughout the NBC on behalf of departmental and non-DOI customers.
- Implement budget and performance integration for all NBC business lines.
- Implement standardized pricing, cost accounting, customer agreement, and billing practices throughout the NBC.
- Continue E-Payroll efforts with OMB, OPM, and Agriculture and implement other E-Gov initiatives throughout the NBC as available.
- Implement remaining NBC-wide and business-line specific strategic and intermediate performance goals and measures.

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.

FY 2003 Accomplishments

- Reconciled over 2,900 funding documents after transferring the IFF to MMS from NBC.

FY 2004 Planned Actions

- Improve the business planning process to provide end-to-end client management services.
- Develop a workforce plan to address critical staffing and training requirements.
- Continue automating client services to improve operating efficiency through electronic invoicing and electronic funding document transfer.
- Develop departmentwide acquisition services to improve acquisition award delivery cycles.

Improving Financial Data Stewardship

Financial 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 decision-making 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 2003 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 intradepartmental and intragovernmental elimination accounting entries for the governmentwide consolidated financial statements.
- Reported all of the Office of Surface Mining's Treasury Fund Symbols via FACTS II bulk feed 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 Department's FY 2002 consolidated financial statements based on the revised SGL account structure.

FY 2004 Planned Actions

- Determine how to best use the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Performance and 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 decision-making 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 efforts to standardize data requirements. This effort will work through the Data Resource Management Working Group.

CHAPTER 4. 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 decision-making capabilities and enable Interior program and financial managers to more effectively achieve 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 a single, integrated financial management system as stated in OMB Circular A-127. 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

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 to streamline underlying financial and administrative processes and improve 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 maintain current systems for financial management until the Financial and Business Management System (FBMS) is implemented.

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 4-1*, arrayed by the different types of management approaches being used. *Exhibit 4-2* lists the Department's financial management systems and applications.

Exhibit 4-1

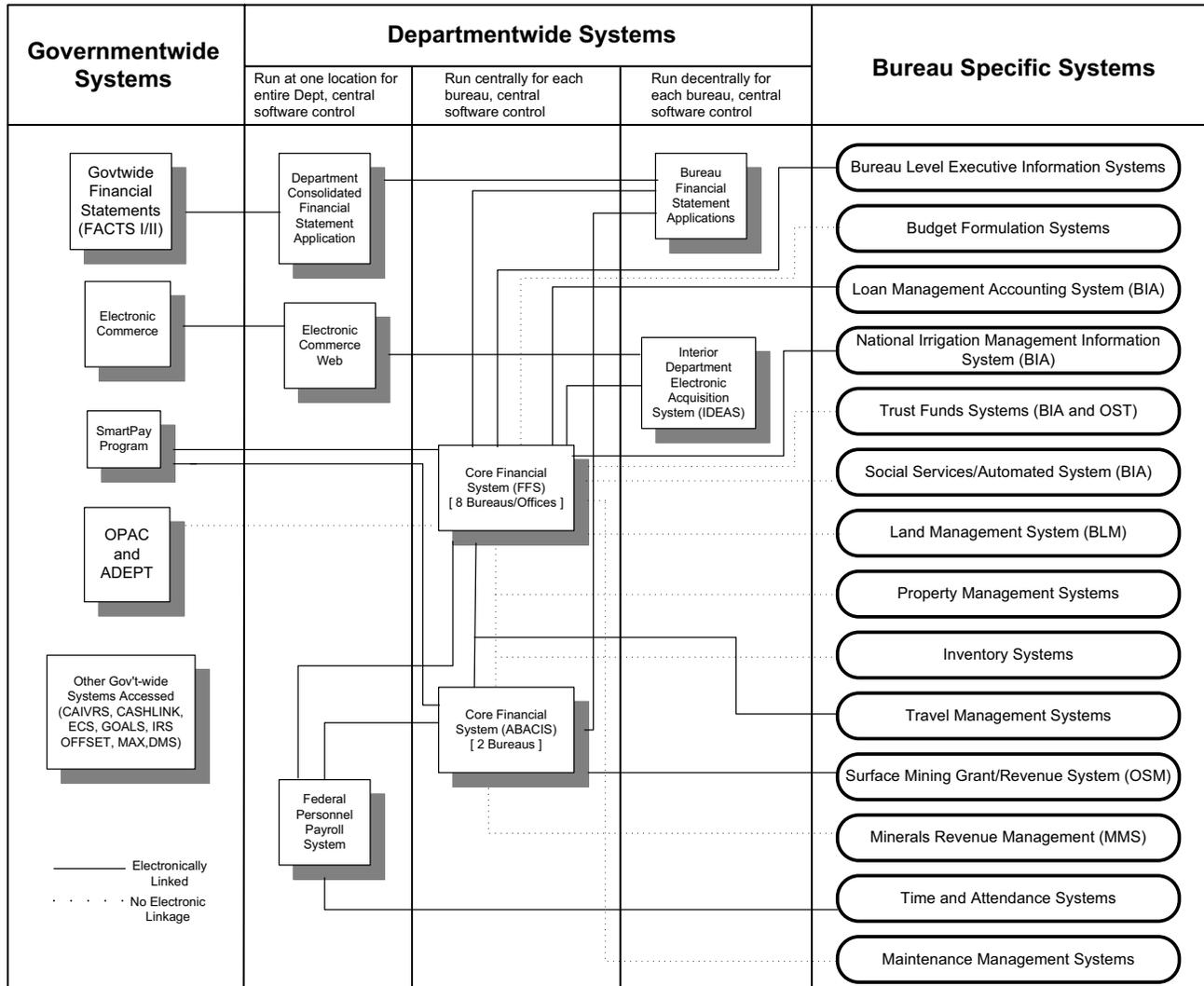


Exhibit 4-2

**Department of the Interior
Financial Management Systems Supporting Exhibit 4-1
System/Applications**

DEPARTMENTWIDE SYSTEMS

Core Financial System (FFS)

- Federal Financial System (8 Bureaus/Offices)

Core Financial System

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

Payroll Personnel System

- Federal Personnel/Payroll System (FPPS)

Interior Department Electronic Acquisition System**Consolidated Financial Statement System**

BUREAU SPECIFIC SYSTEMS

Bureau Level Executive Information Systems

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

Budget Formulation Systems

- Budget Allocation System (FWS)
- Program and Budget System (BOR)
- Operations Formulation System (NPS)
- Project Management Information System (NPS)

Loan Management Accounting System (BIA)**National Irrigation Management Information System (BIA)****Social Services Automated System (BIA)****Trust Funds (BIA, OST)**

- Trust Funds Accounting System
- Integrated Resources Management System

Land Management System (BLM)

- Payment in Lieu of Taxes
- Collection and Billing System

Property Management Systems

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

Inventory Systems

- FEDSTRIP System (BOR)
- DORRAN (GS)
- Peachtree 2000 Inventory System (GS)
- IBIS (GS)

Travel Management Systems

- Travel Manager Plus

Minerals Revenue Management (MMS)**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

Time and Attendance Systems (Various)**Maintenance Management Systems (Various)**

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) 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.

The Department's current financial management system 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 and Business Management System* : Define, plan, and implement a new generation of financial management systems to take advantage of new technology and processing opportunities.
- *Human Resources Information System (HRIS)*: Work with human resources staff to coordinate defining, planning, and implementation of certain key functionalities needed by 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 and Business Management System. Therefore, an illustration of the target architecture is not included in this financial management plan.

FY 2003 Accomplishments

During FY 2003, 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 through the following:

- Maintaining the SmartPay Program (commonly called the DOI Integrated Charge Card Program) supporting the Interior travel, acquisition, and property programs through the Bank of America.
- Maintaining the Interior Departmentwide Procurement System (IDEAS) providing more than 350 locations with the software support for requisitioning, purchasing, contracting, and administering contracts.

- Improving Property Systems through the Property Management Partnership to provide 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.
- Maintaining the Current Core Accounting Systems through annual updates of the vendor software of the existing core accounting system until a replacement core accounting system is identified, acquired, and implemented. This software uses 1980's technology and needs to be replaced.
- Improving the Consolidated Financial Statement System through continuing the updates of the Hyperion Enterprise software for collecting financial statement information to support the preparation of consolidated financial statements. The Department began using the Hyperion Enterprise software in 1997 for the Department's consolidated financial statements. Since FY 1999, each bureau finance office has also used Hyperion Enterprise to prepare bureau-level audited financial statements.
- Maintaining the GPRA Performance Tracking System necessary to support the Government Performance and Results Act (GPRA). This system is an Access based system used to capture GPRA performance information to meet the GPRA reporting requirements on a departmental basis.

FY 2004 Planned Actions

- Continue to maintain the above systems until new functional capability is available through the implementation of the Financial and Business Management System.

Financial and Business Management System

In February 1998, the Interior Chief Financial Officers (CFO) Council established the Financial Management Systems Migration Steering Committee 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. The development of the migration strategy will ensure that any new replacement systems adhere to the Department's information systems architecture and allow 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. Utilizing the direction of the Clinger-Cohen Act of 1996, this proposed financial systems improvement strategy will include re-engineering 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*
- *Phase II - Business Process Review*
- *Phase III - Business Case Development*

Additionally, in late FY 2000, Interior issued a Request for Information (RFI) to industry. The RFI process was completed during FY 2001 by conducting vendor software demonstrations. The RFI process was successful in providing needed information in each area.

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 decision-making 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, increasing the 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 allowing for less expensive enhancements to functionality in the future.

The initial investment has been included in the Department's FY 2004 budget request to the Office of Management and Budget. The total systems acquisition and implementation investment for all bureaus is planned over an eight year period.

FY 2003 Accomplishments

- With contractor assistance, developed and implemented a Performance-Based Acquisition strategy for the Financial and Business Management System (FBMS) in accordance with FAR Part 1 and recent OMB and OFPP policy guidelines.
- Conducted a series of Market Research sessions with industry and other federal agencies that have implemented, or are currently implementing, financial management systems. These sessions were held to: (1) solicit Best Practices from industry and government entities on total business solutions, performance metrics, vendor due diligence, and solution implementations; and (2) gain Lessons Learned from commercial and government entities having experienced implementing solutions for programs similar in size, scope, and complexity to FBMS.
- Conducted a Capability Assessment to identify a competitive pool of potential offerors to receive the FBMS solicitation package.
- Identified a competitive pool of potential offerors to receive the FBMS solicitation package, based on the results of the Capability Assessment.
- Issued a Request for Quotations (RFQ) for the acquisition of a FBMS solution to the competitive pool of potential offerors identified in the Capability Assessment. The RFQ provides for due diligence, written proposals, oral presentations, and an operational capabilities demonstration.
- Developed the FY 2005 Capital Asset Plan and Business Case (Exhibit 300).

FY 2004 Planned Actions

- Evaluate written proposals and test the FBMS solutions proposed by the offerors responding to the RFQ.
- Issue Task Order(s) against General Services Administration Federal Supply Schedule(s) for the FBMS solution, depending on funding availability.
- Complete the necessary preparation activities (e.g., training, module configuration, conversion, etc.) so that the first two bureaus (OSM and MMS) implement selected modules of the FBMS solution in early fiscal year 2005.
- Develop the FY 2006 Capital Asset Plan and Business Case (Exhibit 300).

FY 2005 and Beyond Planned Actions

- Depending on funding availability, implement the Financial and Business Management System strategy in phases as defined in the long-term strategic plan for the migration to an integrated financial management system for the Department.

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. 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 (COTS) Enterprise Resource Planning (ERP) product to provide the additional HR functionalities.

Because of budget constraints and the uncertain status of a governmentwide e-HRIS project, the Department has decided to select several interim COTS products to provide HR business process support in key functional areas until an Enterprise HR system can be implemented. The COTS products include QuickHire (a Web-based recruitment and staffing system), QuickClass (a Web-based automated classification system), and a learning management system offered under the Office of Personnel Management's e-Training initiative. QuickHire and QuickClass are currently used by many of the Interior bureaus. Other COTS products meeting other functional requirements will be investigated to determine need, applicability, and affordability.

FY 2003 Accomplishments

- Developed a Business Case for QuickHire, QuickClass, and a Learning Management System, including funding requirements for future years.

FY 2004 Planned Actions

- Continue implementation of QuickHire, QuickClass, and the learning management system in bureaus or regions where they are not currently utilized.
- Develop procedures and controls to ensure consistent and standard use of the products across the Department.
- Develop a business case for additional COTS interim systems, as applicable.

FY 2005 and Beyond Planned Actions

- Complete implementation of QuickHire, QuickClass, and the learning management system as interim Enterprise HR systems.
- Develop a Business Case for FHRIS (or a similar approach) as the full HR Enterprise system for Interior.

- Develop interfaces between FHRIS (or selected system) 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 enable 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 Architecture. Interior's implementation is designated the Interior Enterprise Architecture (IEA). Statutory requirements supporting the development and implementation of an enterprise 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 IEA 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 IEA is a well-coordinated effort that is making progress on several levels. The Clinger-Cohen Act calls for an enterprise architecture that is driven by business needs. To meet this goal, Interior is articulating the business drivers in an Interior Business Architecture (IBA), and developing or improving the component architectures that make up the Interior Enterprise Architecture. The IEA is following the Federal Enterprise Architecture framework of reference models issued by the Office of Management and Budget, i.e., Performance Reference Model (PRM), Business Reference Model (BRM), Data and Information Reference Model (DRM), Service Component Reference Model (SRM), and Technical Reference Model (TRM). The Interior Architecture Project has joined with the GPRA effort to develop the IBA. This coalition incorporates bureau information technology and mission requirements into the GPRA process, thereby ensuring a consistent and cross-cutting view of Interior's business.

The component architectures are being developed by the Interior Chief Architect and staff, with support from the Interior Architecture Working Group. Component architectures include Information Security, Data Management, Geospatial Technologies, Applications Development, Distributed Systems Management, Records and Document Management, Infrastructure, and Platform. Development of the component architectures will ensure Interior meets at least minimal compliance with related statutory and operational requirements.

FY 2003 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.
- Worked with multiple contract teams to facilitate and assist in continued development of the IEA.
- Matured the governance process for IEA, involving senior managers and executives from throughout Interior.
- Formed the Architecture Review Board to ensure alignment of IT initiatives with the Interior Enterprise Architecture.
- Strengthened the partnership with GPRA to identify strategic influences and integrate them into the IEA.
- Strengthened the partnership with IT Capital Planning and Investment Control to make the IEA an integral component of managing IT investments.
- Identified opportunities for non-exclusive enterprise licensing agreements to leverage departmentwide purchasing power and reduce total cost of ownership.
- Produced the Interior Business Architecture (v. 1.0) for the financial management area.
- Produced the Interior Data Architecture (v. 1.0).
- Produced the Interior Technical Architecture (v. 2.0).

FY 2004 Planned Actions

- Complete version 1.0 of the complete high-level Interior Enterprise Architecture and initiate mid-level IEA development.
- Identify additional opportunities through gap analysis to improve Interior technology infrastructure.

- Update the Technical Reference Model and Standards Profile (version 3.0).
- Continue to strengthen the partnership with GPRA to identify strategic influences and integrate them into the IEA.
- Continue to strengthen the partnership with IT Capital Planning and Investment Control to make the IEA 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.
- Strengthen outreach activities to expand awareness of the Interior Enterprise Architecture throughout the Department.

FY 2005 and Beyond Planned Actions

- Continue work on a detailed level IEA.
- Update and maintain each of the reference models.
- Identify and facilitate departmentwide acquisitions of commonly used information technologies.

Computer Security Improvement Project

Interior's IT security program is based on the Departmental Manual (Part 375, Chapter 19) which incorporates the applicable requirements of law (such as the Computer Security Act of 1987 and the Government Information Security Reform Act (GISRA)), Executive Branch directives (such as Office of Management and Budget (OMB) Circular A-130, Appendix III), and guidelines developed by the National Institute of Standards and Technology (NIST) and the federal CIO's Council. These broad security guidelines have been augmented by Interior-specific requirements and were used to develop a recently enacted Interior IT Security Policy, an IT Security Plan, and an IT Security Handbook. The objective of the Interior IT Security Program is to ensure that all Interior IT systems consisting of Major Applications (MA) and General Support Systems (GSS) will be compliant with OMB Circular A-130, Appendix III, IT security requirements. Certifying and accrediting these IT systems in accordance with the Interior Certification and Accreditation (C&A) methodology will accomplish this objective. DOI will target its most critical, high-risk assets first and will achieve full compliance through C&A by December 2005; all remaining systems will be fully accredited by December 2006.

FY 2003 Accomplishments

Policy and Guidance. DOI has issued NIST-based guidance for:

- Contingency planning
- Risk assessments
- System security planning

The IT Security Office issued formal guidance on “IRM Management Control Review Guidance for 2003” dated February 14, 2003. The Information Resources Management (IRM) management control review (MCR) requirements for 2003 focus on the IT security aspects of high-risk general support and major application IT systems contained in Interior’s IT system inventory. The new MCR process will utilize NIST Special Publication 800-26, “Security Self-Assessment Guide for Information Technology Systems” as the principal evaluation tool.

The IT Security Office developed and published guidance dated March 20, 2003, on determining and designating IT enclaves (i.e., groups of systems). The IT Security team developed the enclave concept to define the boundaries of IT systems and to simplify the overall inventory of Interior IT systems. The enclave concept allows IT systems to be combined into logical groupings to obtain economies of scale, cost efficiency, and determining and improving management oversight.

The IT Security Office completed the IT Security Asset Valuation Guide, Version 2.0 dated March 4, 2003, which contains the approved Interior methodology, process, and criteria for clearly identifying, categorizing, and documenting IT assets. This process provides a means for allocating capital resources, establishing work priorities, and establishing and validating IT security requirements based upon an IT system’s overall importance.

Interior IT Security Scorecard. Interior has initiated an IT Security Scorecard to track bureau and office achievements in IT security programs. The Scorecard is published monthly and contains nine major performance elements that are derived from reportable elements of FISMA/GISRA and activities deemed a priority by the Department. Each of the nine areas is assigned a percentage score that when summarized add up to a maximum 100 points. A draft scorecard has been developed (June 2003) and is currently in the vetting process.

Certification and Accreditation. On June 16, 2003, Interior’s CIO Security Office completed and delivered the final version of Interior’s C&A guide, which outlines Interior’s C&A process based on NIST Special Publication (SP) 800-37. An Interior OCIO bulletin on C&A roles and responsibilities was also developed and released on April 11, 2003. A major goal of Interior’s IT security program is to achieve C&A of its IT systems in full compliance with OMB Circular A-130, Appendix III. Interior’s Indian trust IT systems, i.e., those systems identified as supporting trust business processes, are scheduled to achieve C&A compliance by December 31, 2005.

DOI CIRC. In June 2003, a centralized computer security incident handling capability was implemented within the Department. Incidents are reported to the Homeland Security Department’s Federal Computer Incident Response Center as required by the Federal Information Security Management Act of 2002 (FISMA). The contracted support is available twenty-four hours a day, seven days per week and provides incident coordination and reports. The Incident Handling Handbook, which provides program implementation guidelines and procedures, was finalized as well.

Capital Planning. DOI has improved the integration of IT security into the system development life cycle of DOI IT systems through the Capital Planning and Investment Control (CPIC) process. Under the CPIC process, DOI bureaus and offices are required to prepare an Exhibit 300 or 300-1 on each DOI IT system that includes funding for IT security costs. The DOI OCIO IT Security Team has supported this effort by giving a briefing to

the appropriate program analysts and bureau IT Security managers, developing a security tips document, developing security review criteria for the Exhibit 300s and 300-1, and reviewing Exhibit 300s as part of the DOI approval process.

System Inventory and Prioritization. The IT Security Team members, under the auspices of the IT Management Council, are developing and prioritizing Interior systems. The starting point for determining where to apply resources for managing and securing information and IT systems is to develop a credible system inventory. The team has developed the initial inventory for all IT systems, including the Interior Indian trust IT systems

System Development Life Cycle (SDLC) Security Integration. On June 20, 2003, Interior's CIO Security Office completed and delivered the first draft of Interior's SDLC Security Integration Guide. The SDLC Security Integration Guide is intended to provide the Department's IT system owners with a framework for implementing security throughout all stages of an IT System's life cycle and describes how this process maps back into the Certification and Accreditation (C&A) process.

Program Reviews. The Interior OCIO conducts IT Security Program-level reviews for the bureaus and offices within Interior. Using the basic format and categories of the NIST's Special Publication 800-26 (Security Self-Assessment Guide for Information Technology Systems), the OCIO developed an IT security program assessment questionnaire containing 58 questions. Each response was graded against the five categories of the federal CIO's Council IT security assessment framework (policy, procedures, implementation, tested, and integrated) and weighted depending on an importance factor. A percentage score for each program was derived based on the number of points achieved compared to the total number of points possible. Weaknesses are tracked using OMB's quarterly POAM report and performance measures are charted at both the individual organization and summary level. A mid-year review of IT security programs for Interior bureaus and major offices was conducted in April 2003. The review is based on the NIST Special Publication 800-26, Self-Assessment Guide for Information Technology Systems. Interior improved its score by 10 points over the IT security program review conducted in the Fall of 2002 (55%).

Training and Awareness. An OCIO Memorandum dated February 14, 2003, required all Interior employees and contractors using Interior IT systems to complete IT security training before June 27, 2003. As of June 27, 2003, Interior has trained 66,678 individual users of Interior IT systems and continues to recognize outstanding individuals in completing the awareness training requirements. The IT Security Office standardized the training on the "Federal Information Systems Security Awareness, Version 2", developed by the Defense Information Systems Agency (DISA), for use throughout Interior.

Certification and Accreditation Workshop. A C&A workshop was held June 23-26, 2003 in Arlington, Virginia. The target audience was staff involved in the C&A process, including Chief Information Officers/Deputy Chief Information Officers, system owners, program managers and IT security managers. Topics included current IT security issues as well as instructions in developing documentation required by the C&A process. This workshop was held again in Denver, Colorado July 28-31, 2003 and will be a recurring training event to assure Interior systems are following a NIST-based C&A program.

Thirty DOI employees attended a Certified Information System Security Professional (CISSP) certification training in Denver, Colorado on June 2 to June 5, 2003. The CISSP certification is designed to recognize mastery of an international standard for information security.

Trust Certification and Accreditation Workshop. An introductory C&A workshop for Trust bureaus and offices was held on April 2-3, 2003 in Washington, D.C. The workshop provided information about the Department's Certification and Accreditation program to system owners and Trust Bureau Information Technology Security Managers.

Executive and Senior Managers IT Security Training. The OCIO IT Security Office prepared and delivered version 1.0 of the Executive and Senior Managers IT Security Training module to all bureau and office CIOs. Each CIO was asked to complete the training by November 29, 2002, and provide comments on the training. The computer-based training contained five modules and focused on statutes that govern IT security in the federal government, the role of policy in enhancing Interior's security posture, the roles and responsibility of senior managers, a review of Departmental Manual 375.19 "Information Technology Security Program", and a general overview of the concept of management controls. After incorporating comments received from the CIOs, version 2.0 of the training will be released to an expanded audience including Assistant Secretaries and Bureau Directors.

FY 2004 Planned Actions

- Establish a Public Key Infrastructure (PKI) for use within the Department.
- Continue the C&A process for Interior Major Applications and General Support Systems.
- Provide continued support for bureau IT Security Program Implementation and Management.
- Implement a full IT Security Awareness Program.
- Conduct IT Security Program Reviews.
- Conduct Contractor Facility IT Security Reviews.

FY 2005 and Beyond Planned Actions

- Continue the C&A process for Interior Major Applications and General Support Systems.
- Continue PKI integration efforts.
- Conduct IT Security Program Reviews.
- Conduct contractor facility IT Security reviews.

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 System

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 average more than \$6 billion annually, with more than \$10 billion collected in 2001 alone. To ensure proper revenues are collected and disbursed, the Minerals Management System utilizes a broad range of financial services, and pursues a comprehensive compliance strategy that includes an automated compliance verification program to validate the accuracy and timeliness of revenues paid. MRM also administers a robust Royalty-In-Kind (RIK) program which utilizes an asset management approach to ensure the optimal value of mineral resources. In FY 2001, MRM implemented a new financial and compliance system. As MRM transitions from the implementation phase to the fully operational phase, further enhancements will be designed, tested, and implemented.

FY 2003 Accomplishments

- Upgraded, modified, and enhanced multiple supporting systems to accommodate requirements of the new financial system.
- Tested and implemented the remaining segments of the new MRM financial system (production reporting and exception processing) and the MRM compliance system.
- Completed the processing of backlogged royalty and production reports that resulted from the court-ordered Internet connection shutdown which occurred from December 2001 to March 2002.
- Implemented the MRM's Gas Management System as a comprehensive information management system supporting commercial natural gas RIK sales and accounting activities.
- Implemented the MRM's Liquids Management System as a comprehensive information management system supporting the Strategic Petroleum Reserve (SPR) Fill Initiative and small refiner and other commercial crude oil RIK sales and accounting activities.
- Developed the Risk and Performance Management System designed to quantify price risks within the RIK program and to measure the performance of RIK sales programs relative to price benchmarks.

- Signed a Memorandum of Understanding between the MMS and the State of Louisiana agreeing to jointly develop and implement a royalty-in-kind (RIK) pilot program for certain federal oil and gas leases located in the 8(g) zone offshore Louisiana. The pilot program may potentially include State oil and gas leases if the State so decides. The MMS and the State are anticipating the pilot program to be in place with the first royalties being collected in kind October 1, 2003.
- Awarded a contract to Lukens Energy Group, a Houston-based energy consultant, to provide independent assessment of the RIK program, recommendations on performance metrics and marketing strategies, and a 5-year RIK Business Plan.
- Continued to implement the President's November 2001 directive to fill the remaining capacity of the Strategic Petroleum Reserve (SPR) utilizing Gulf of Mexico federal RIK oil. Oil RIK deliveries to the Department of Energy commenced on April 1, 2002, at a rate of 60,000 barrels per day. The current full deployment delivery rate is 130,000 barrels per day. The initiative is targeted to be complete by the end of FY 2005 and will involve some 120 million barrels of royalty crude oil. When full, the SPR will contain approximately 700 million barrels of oil providing a key link in the Nation's security network.
- Held public workshops on federal oil valuation regulations and on federal gas valuation regulations to obtain information for evaluating whether the existing rules should be amended. MMS compiled and analyzed the information gathered and a proposed federal oil rule is advancing through the surname process. A proposed federal gas rule is anticipated to be drafted in FY 2004.
- Published a proposed rule to implement accounting and auditing relief for marginal properties, as authorized by the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996.
- Competed all compliance work in accordance with annual performance goals.
- Performed an A-76 Streamlined Cost Comparison of the Center for Excellence functions. MRM was successful in its competition and will retain these functions. The comparison was completed on February 18, 2003, 7 months ahead of schedule.
- Upgraded all MRM client workstations to a secure operating system.
- Continued an aggressive training schedule to inform industry representatives of the many changes incorporated into the new financial system and on basic royalty and production reporting.
- Continued outreach and communication efforts.

FY 2004 Planned Actions

- Upgrade the PeopleSoft financial application software for system enhancements.
- Perform an Operational Analysis of all MRM systems as required by OMB A-11 to ensure that the existing systems continue to meet business requirements and to explore alternatives for improved economy and efficiency.
- Continue to develop and implement major system components identified in the preliminary design of the compliance system.
- Establish an 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.
- Publish and implement various oil and gas valuation rules, including a final federal oil valuation rule and a proposed and final federal gas valuation rule.
- Publish a final rule to implement accounting and auditing relief on marginal properties and a proposed rule to give prepayment of royalty relief.
- Establish a new 205 cooperative audit agreement with the State of Alaska and initiate two additional Intergovernmental Personnel Act (IPA) agreements with Indian tribes.
- Fully deploy and utilize the RIK Risk and Performance Management System capabilities and integrate these capabilities with recommendations on performance metrics provided to MMS by the Lukens Energy Group.

FY 2005 and Beyond Planned Actions

- Develop and implement upgrades and enhancements to the financial system and the data warehouse to improve efficiency and effectiveness.
- Plan and implement additional process improvements for streamlining and enhancing compliance.
- Improve Indian trust beneficiary services by establishing one additional Federal Indian Minerals Office (FIMO) by FY 2005. After Departmental approval, MMS will partner with BLM and BIA to open the new FIMO.
- Implement the 5-year RIK Business Plan and conduct the action items within the plan, which are anticipated to include actions involving human resources, marketing strategies, and cost accounting measurements.
- Complete the SPR Fill Initiative by the end of calendar year 2005, depending on crude oil production levels in the Gulf of Mexico.
- Continue outreach and communications effort, which includes training activities as needed, for both internal and external stakeholders.

American Indian Trust Funds Systems

The American Indian Trust Fund Management Reform Act of 1994 identified some of the Secretary's responsibilities related to trust fund management and established the Office of 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 for maintaining accurate data on ownership and lease of Indian lands.

In the past, 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 was unreliable, inaccurate, and inconsistent, and trust systems have been inadequate to comprehensively process trust data and support investment activities. Inadequate internal controls and lack of consistent, written policies and procedures were also cited in the reports.

Efforts have been made to bring about long-term constructive improvement in trust funds management. For example, the Department issued a June 1994 draft report, Indian Trust Funds and Trust Asset Management Reform Plan, which resulted in implementing an interim service bureau system for managing tribal investments and accounting services. BIA has performed most collection activities. The 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 strategic plan to the Secretary and the Congress, and it was agreed that the trust system improvements and data cleanup efforts portions of 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 were also included in the High Level Implementation Plan (HLIP) of the Trust Management Improvement Project (TMIP). The July 1998 HLIP, as revised in February 2000, addressed the following 11 subprojects and identified responsible officials, progress made, action plans, and resource requirements:

- Administrative Data Cleanup (OST)
- Resources Data Cleanup (BIA)
- Probate Backlog (BIA and Office of Hearings and Appeals)
- Appraisal Backlog (BIA)
- Trust Funds Accounting System Deployment (OST)
- Trust Asset and Accounting Management System Deployment (BIA)
- Systems Re-engineering (MMS)
- Records Management Improvement (OST)

- Policy and Procedures (BIA)
- Training (OST)
- Internal Controls (OST)

Although many specific HLIP tasks were completed, the Department received conflicting information on the state of trust reform. In response, the Department commissioned an independent review and report, which concluded that the previous reform results were not satisfactory.

Accordingly, the Department developed a more comprehensive and integrated approach—the Comprehensive Trust Management Plan, (CTM) dated March 28, 2003. It sets forth a strategic framework, including six strategic goals (and various objectives) for the Department to meet to fulfill its obligations to its fiduciary trust beneficiaries:

- Beneficiary services that are trusted, accurate and responsive.
- Tribal self-governance and self-determination that increases participation in managing assets.
- Ownership information that is accurate, timely and reliable.
- Land and natural resource management that maximizes return while meeting desires of beneficiaries.
- Trust fund assets management that meets fiduciary principles.
- Administrative services that:
 1. Enable and empower the organization and workforce to be an effective fiduciary trustee; and
 2. Provide modern, appropriate systems and tools to manage the fiduciary trust.

The CTM incorporates the substantive objectives in the HLIP, but adopts a more integrated “business plan” approach. It identifies primary business lines for Interior as beneficiary trust representation, trust financial management and stewardship, and management of land and natural resources. The strategic goals and specific related objectives fit within these business lines.

FY 2003 Accomplishments

- Completed the court-ordered Fiduciary Obligations Compliance Plan (addresses how the Department intends to comply with certain fiduciary obligations owed to IIM account holders; accounting systems must maintain accurate account balances and report information to beneficiaries) and Historical Accounting Plan for Individual Indian Money Accounts.

- Completed Comprehensive Trust Management Plan, which articulates the Department's strategy for managing and reforming its trust responsibilities and guides implementation of trust improvement activities.
- Completed As-Is Study/Business Process Documentation, prepared in conjunction with a contractor, which details how trust business processes are now being performed.
- Started the reorganization of OST/BIA, as outlined in the Department of the Interior Manual revised on April 21, 2003, to establish a clear line of responsibility for trust operations within Interior.

FY 2004 Planned Actions

- Finish the initial trust business process To-Be model and begin implementation.
- Finish the reorganization of OST/BIA with the objectives of:
 - Keeping specific management decisions about trust assets at the agency level.
 - Creating a trust center and Trust Officers.
 - Promoting Self-Governance and Self-Determination.
 - Ensuring trust accountability by creating a new Office of Trust Accountability within OST.

FY 2005 and Beyond Planned Actions

- Complete the process re-engineering of trust business processes.
- Acquire the best automated systems to support the re-engineered trust business processes and fulfill beneficiary needs and fiduciary requirements.
- Implement re-engineered trust business processes.

Facilities Management System (FMS)

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 the expenditure of facilities maintenance funds.

2. *Establish Common Definitions for Key Maintenance Terms*

- Interior should establish:
 - a common subset of facilities data elements;
 - more standardized definition 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 2003 Accomplishments

- NPS completed deployment of the MAXIMO facilities management software in their remaining park units. USGS has initiated the software in the first 3 of the 14 installations for which it is to be used. BLM, FWS, and BIA/Irrigation Projects and Safety of Dams have begun a phased deployment of the system.

- The facilities managing bureaus continued a facilities condition assessments process which is on schedule to meet a FY 2005 completion date for the first cycle of assessments.
- In order to manage future consistency within the facilities management data and reduce life-cycle systems costs, the Department facilitated the purchase of the latest, fully web-based version of the MAXIMO software. The purchase was for 6,000 licenses to be shared by the implementing bureaus. The quantity was based on the accumulated projection of the bureaus' short-term (3 years) need for licenses. The procurement was negotiated at the Department level in order to take advantage of quantity discounting resulting in a substantial saving to the taxpayers.
- Increased the intensity of Department-level management of the facilities management system implementation.

FY 2004 Planned Actions

- In support of the Maintaining America's Heritage initiative, the Department will implement the fifth 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.
- Implement a DOI Preventative Maintenance (PM) Library that can be accessed from the bureaus' facilities management systems. This will reduce duplication of effort in preparation of preventative maintenance work orders and plans within the implementing bureaus. This initiative involves establishing standard PM work routines and formats for incorporation into the FMS application. This effort also involves the development of a methodology for electronically sharing the PM's contained in the library with consideration given as to how to update and maintain the data over time.
- Develop a standard list of asset types with definitions that links to the GSA real property reporting requirements. Because, for the Department, the FMS will be asset based, this standardization of asset types is critical to the multiple modules and interfaces in place and under development (i.e., the Preventative Maintenance Library). It is also essential in reporting progress in all five strategic goal areas of the DOI Draft Strategic Plan for FY 2003-2008: (1) Resource Protection; (2) Resource Use; (3) Recreation; (4) Serving Communities; and (5) Management. The improvement and maintenance of the facilities and infrastructure that support each of these goal areas is an integral part of the strategy of successful goal accomplishment. Each of the goal areas uses Facilities Condition Index (FCI) as a performance measure of success. The standard asset type list allows particular asset types to be identified to each of the Strategic Plan goal areas and the FCI computed for those asset type sets.
- Establish FCI as a standard results-based performance measure within the facilities managing bureaus. This metric will be used to relate conditions of similar asset types and to monitor the change in that condition.

FY 2005 and Beyond Planned Actions

- 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 5. IMPROVING GRANTS MANAGEMENT

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

The Department awards over \$3.8 billion each year in funding for grants, cooperative agreements, and Indian self-governance compacts to state and local governments, Indian tribes, individuals, 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 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 non-procurement 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 participates in several governmentwide Federal Financial Assistance Management Improvement Act of 1999 (Public Law 106-107) inter-agency workgroups, such as the Inter-Agency Electronic Grants Committee (IAEGC) and several of its subcommittees, including the State, Local, Non-profit and Other Subcommittee, and the Pre-Award Workgroup. The inter-agency workgroups contribute to, and often make, policy recommendations to OMB.

Active participation in several inter-agency forums, such as the Grants.gov stakeholder meetings, Grants Network meetings (an informal group of grants managers from several grant-making agencies), and the National Grants Management Association (NGMA), allows Interior to stay informed and find additional opportunities to ensure policy consistency across grant programs.

The Department is currently working on a grants management training program with the Department of the Interior University. Presently, the bureaus and offices that administer grants determine training needs. Standardized training will provide an additional forum to distribute policy, aiding in policy consistency. Interior has also offered to lead an inter-agency Training and Certification team. The team's vision is for federal assistance profession-

als (policy, administrative and program) to be proficient in all aspects of grants and cooperative agreements.

Review of Program-Specific Requirements to Ensure Consistent Treatment of Grantees

To provide consistent treatment of grantees with program-specific requirements (e.g., application forms, financial reports, and award conditions), the Public Law 106-107 Initiatives Work Group, a subcommittee of the Interior Federal Assistance Working Group (IFAWG), meets weekly to review program requirements and explore ways to unify and simplify similar programs.

An Executive Steering Committee (ESC) has also been established, consisting of senior level bureau/office management. The ESC provides executive oversight for the P.L. 106-107 Initiatives Work Group; recommends actions; and approves work group recommendations prior to submission to the Director, Office of Acquisition and Property Management. The ESC also provides additional collaboration and communication within Interior. Governmentwide streamlining efforts will be incorporated into the team's products in order to ensure consistent treatment of grantees.

The Office of Acquisition developed policy to reiterate and implement governmentwide policy regarding financial status reporting requirements related to grants to ensure that recipients are held accountable for the timely submission of accurate and complete financial status reports to better enable Department of the Interior bureaus and offices to record grant-related expenses in the proper period and de-obligate funds at the end of the grant period.

Agency Efforts to Coordinate Policies and Practices with Other Agencies

The Department is exploring best practices within Interior and with other agencies to improve coordination of policies and practices. For example, Interior has been given the responsibility of managing the effects of wild land fire on our Nation's communities. Four bureaus within DOI, the Bureau of Land Management, Bureau of Indian Affairs, Fish and Wildlife Service, and National Park Service, formed the Inter-Agency DOI Rural Fire Assistance Coordination Group and meet to discuss issues regarding the Rural Fire Assistance Program. The group has completed a model cooperative agreement, with the input of the U.S. Forest Service, so that recipients will be asked similar questions, regardless of the bureau. The group, with the assistance of the Office of the Secretary, has developed an intra-agency handbook for Rural Fire Assistance and Community Assistance, updating the program announcements, and streamlining the application process. The group is continuing to work with the Federal Emergency Management Agency (FEMA) to improve coordination and delivery of services to recipients. The knowledge gained from this group has been shared with Interior Federal financial assistance employees at the DOI Acquisition, Assistance Management, and Business Utilization and Development Conference and will continue to be used departmentwide to learn new ways to improve coordination among those responsible for administering federal financial assistance.

Recommendations for Changes in Law to Improve the Effectiveness, Performance, Coordination, and Accountability of Grant Programs, including Program-Specific Statutes

After the P.L. 106-107 Work Group and ESC reviews various grant programs in detail, departmental recommendations will be made for changes in law to improve the effectiveness, performance, coordination, and accountability of grant programs. The Department will continue to address governmentwide issues through applicable inter-agency workgroups.

Ensure the Quality of Audits Performed by Non-Federal Auditors in Accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133

During FY 2002, desk reviews were completed on more than 400 single audit reports. The Reviews are performed by the Office of Inspector General (OIG) to ensure that the reports meet the reporting requirements of the Single Audit Act of 1984 and OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations."

To ensure compliance with OMB Circular A-11, the OIG performed quality control reviews on six non-federal audits during the fiscal year. The six audits reviewed covered fiscal years 1999 and 2000 and federal funds totaling about \$226 million. In conducting these reviews, the OIG applied guidance established by the President's Council on Integrity and Efficiency (PCIE) to (1) ensure that 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 PCIE guidance in evaluating working papers. Overall, the OIG concluded that all of the audits reviewed complied with the Single Audit Act requirements. In future years, the OIG plans to complete 12 quality control reviews each fiscal year.

Participation and Efforts in the Grants.gov (formerly E-Grants) Area

Interior is active in several Grants.gov initiatives, including the Inter-Agency Electronic Grants Committee (IAEGC) and Grants.gov pilots. For example, Department of the Interior representatives participated in Grants.gov FIND, Testing of the Edges Pilot, and the Unified Application Mechanism Pilot. The results of the pilots will ultimately improve the value of Grants.gov. Also, Interior has volunteered to begin using Grants.gov FIND before the October 2003 deadline. Participation in inter-agency meetings and pilots allows Interior to stay informed and find additional opportunities to participate in Grants.gov initiatives.

The Department's Financial Business Management System (FBMS) proposes to reduce current stovepipe systems by providing a central financial management system with other business components, including a grants management system. Because the Grants management system will interface with a central system, the information will only be entered once, reducing errors and burdens for both the recipient and the agency. Comments from recipients have indicated they want to provide information to an agency once, and this system will provide a means for Interior to honor that request. The information and time made available

from this system will allow the Department to provide more resources toward managing its grants, which will assist in improving the effectiveness and performance of federal financial assistance programs.

The Department of the Interior has also been reviewing available electronic systems, including internal systems, other agency systems, and commercial-off-the-shelf (COTS) systems. Interior representatives have met with several vendors and agencies to learn best practices and develop requirements.

FY 2003 Accomplishments

- Continued to participate in governmentwide streamlining/standardizing initiatives;
- Began using Grants.gov FIND;
- Held four public consultations for applicants and recipients to share concerns and provide recommendations for PL 106-107 initiatives;
- Continued development of an Intra-Agency electronic grants management system through the FBMS;
- Held weekly meetings for the Public Law 106-107 Work Group;
- Established the Executive Steering Committee;
- Continued work of the IFAWG Staff Development Team, including a Departmentwide Competency Model and minimum training standards;
- Offered to lead an inter-agency Training and Certification team;
- Participated in the Grants.gov FIND pilot;
- Participated in Grants.gov Testing of the Edges Pilot;
- Participated in the Grants.gov Unified Application Mechanism Pilot;
- Developed policy to reiterate and implement governmentwide policy regarding financial status reporting requirements related to grants;
- Provided PL 106-107 information and shared best practices at the DOI Acquisition, Assistance Management, and Business Utilization and Development Conference held in April;
- Reviewed COTS financial assistance application and management products;
- Continued to review options to connect to the Grants.gov Portal; and
- Gained best practices from vendors and other agencies.

FY 2004 Planned Activities

- Continue to participate in governmentwide streamlining/standardizing initiatives;
- Continue to make funding announcements using Grants.gov FIND;
- Accept applications through Grants.gov APPLY;
- Continue regular meetings with the Public Law 106-107 Work Group including:
 - Review consultation comments and recommendations
 - Continue to review the mandatory grant lifecycle,
 - Provide recommendations based on consultations comments
 - Write policy based on work group recommendations
- Lead the inter-agency Training and Certification team.

CHAPTER 6. HUMAN CAPITAL

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

The Department of the Interior is facing a number of critical human resource issues related to financial management. 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 have increased the demands on financial management personnel. Moreover, Interior envisions an increasing emphasis on the analysis of information that will better inform and assist DOI program managers with administering their programs. 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.

In the spring of 2002, the Department identified a number of critical issues and developed action plans to address those issues. In 2003, The Department implemented a Financial Management (FM) Transformation Plan to deal with the critical issues. Section 3 of the Plan, "The Financial Organization," identified several human resource needs and initiated specific actions to meet those needs.

- Assessing Finance Staffing Status and Needs;
- Improving/Expanding the Financial Management Career Development Program; and
- Improving Recruitment/Retention of Qualified Financial Management Personnel.

The Department is currently developing a workforce plan to identify the skills needed for future financial management and a model organizational structure. To assist financial management personnel in achieving the skills needed to operate in this 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 career development plan for the Department.

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

A critical component of the Financial Management Human Capital Program is the enhancement of the Department's ability to support the need for additional qualified accounting, financial systems, analysis, 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 and other attrition factors in 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 includes the establishment of a Financial Management Career 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 those programs being established on a governmentwide basis such as those sponsored by the CFO Human Resources Committee.

FY 2003 Accomplishments

In FY 2003, the Department implemented a Financial Management Transformation Plan which included actions to be taken to resolve human capital needs. Below are the actions which relate to improving availability and diversity of qualified financial management personnel:

- Requested and analyzed information on bureau and Departmental Office staffing of finance operations. (Completed 2003)
- Developed a workforce plan to address organizational alignment, recruitment, staffing, and training. (Phase One completed September 30, 2003)
- Developed standard position descriptions for critical financial positions. (Phase One completed September 2003)
- Selected individuals for the FY 2003 Financial Management Career Intern Program (FMCIP). (Completed June 2003)

Other FY 2003 accomplishments include the following:

- Continued efforts to effectively coordinate a departmental financial management recruitment effort to fill current vacancies in the Washington, D.C., and Denver, Colorado areas.
- Expanded efforts to recruit for the FMCIP at various multi-school career fairs on the east coast, in the mid-west, and in Colorado.
- Expanded Web-based methods for effectively and efficiently advertising the new intern program.
- Recruited and hired 12 new interns as part of the second class of the FMCIP. Coordinated this recruitment efforts across all bureaus within the Department. The FMCIP is designed as a two-year program of professional development for entry-level accountants and financial analysts through academic and on-the-job training. Emphasis is placed on practical work experience and rotational assignments with supplemental classroom training and cross-training for a broad perspective of Interior's financial management process.

- Revised and expanded the program entry-level IDP requirements which are based on the JFMIP core competencies.
- Developed and held orientation, IDP review and revision, and formal mentor training.

FY 2004 Planned Actions

- Update brochures and expand marketing for the FMCIP.
- Recruit for future Financial Management Career Interns.
- Continue formal training, on-the-job training, and career development for the first and second classes of financial management interns.
- Revise IDPs, work with DOIU to improve the formal mentoring program, and expand the program to mid- and senior level personnel.
- Improve the management of the vacancy announcement and selection process through a more coordinated recruiting program within the Department.
- Continue to develop standardized Position Descriptions and standard vacancy announcements.
- Identify and initiate long-term recruitment and retention incentives and authorities of particular interest to entry-level and mid-level employees.
- Continue to review and reissue departmental guidance on bureau Chief Financial Officer and Deputy Chief Financial Officer responsibilities as well as develop a description of Finance Officer responsibilities.
- Continue to explore 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.
- Continue to improve/expand 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 develop new strategies for recruiting top quality personnel for the Department's financial management community.

- Implement 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.
- Graduate the first class of Financial Management Interns.

FY 2005 and Beyond Planned Actions

- Continue efforts to develop and implement Interior-specific training modules in financial management education using subject matter expertise.
- Graduate the second class of Financial Management Interns.
- Implement additional phases for mid and senior level recruitment/retention program.

Sponsoring Comprehensive Training Programs in Financial Management

The primary objective of the Financial Management Training and Career Development Program is to provide appropriate training and professional development opportunities to financial management personnel so that they are adequately prepared to competently carry out 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/external instructors or external instructors, and develops special training programs to address individual bureau needs. The Department's has implemented the first phase of the Financial Management Career Development Program with the FMCIP. Additionally, initial work began on the design and development of mid-level and senior level phases of this comprehensive career program. The career program uses JFMIP published core competencies and related IDP's as a cornerstone of the program.

The Department will expand the training and career development program in conjunction with the workforce plan, 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.

In FY 2003, the Department implemented a Financial Management Transformation Plan which included actions to be taken to resolve human capital needs. Below are the actions which relate to comprehensive training and career development:

- Finalize plans for the Financial Management Career Development Program for financial personnel (in process – working with DOIU).

- Initiate the comprehensive Financial Management Career Development Program (Included as part of the Workforce Plan).
- Publish initial course offerings (Included as part of the Workforce plan).
- Begin training Class of 2003 Financial Management Career Interns (September 2003).

FY 2003 Accomplishments

- *Financial Statement Preparation Workshop.* The Finance Officers' Partnership (FOP) sponsored the Department's Financial Statement Preparation Workshop. Approximately 50 Department personnel participated in the late March 2003 seminar that was designed to provide a forum to solve common problems related to financial statement preparation across the department. The topics included standardizing footnotes, accrual methodology, establishing and coordinating key milestone dates, and eliminations.
- *Certified Government Financial Manager (CGFM) Training.* The first Class of FM Career Interns completed two courses needed to achieve the requirements for the CGFM. In addition, the Denver bureaus consolidated efforts to offer several CGFM training classes to mid-level and senior level FM personnel. Those efforts will continue in 2003 and will be joined with the Washington, D.C. area bureaus/offices.
- Initiated process for a joint conference on Interior financial management, budget, acquisition, and performance measurement topics
- *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.
- Continued use of long-range training plan with IDP format for entry-level financial management staff based on the JFMIP core competencies with the first and second Financial Management Career Intern classes and for all entry-level employees.
- Worked with the FOP on workforce planning efforts which include heavy emphasis on consistent, comprehensive career development opportunities including formal classroom training, rotational assignments, professional development opportunities, and other non-traditional training opportunities.
- Sponsored training in the following subject areas:
 - Appropriations Law
 - Standard General Ledger
 - Dollars and Sense
 - IDP and Career Development
 - Formal Mentoring
- Continued to promote the use of seminars and workshops lead by the Department's financial management personnel to facilitate working group training, new idea development, and sharing of best practices.

FY 2004 Planned Actions

- Implement the Financial Management Career Development Program as part of the workforce plan and the Financial Management Transformation Plan.
- Implement a formal process for using the IDPs to ensure that mid and senior-level 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. IDPs will be developed for the Bureau Finance Offices.
- Conduct a joint conference on Interior financial management, budget, acquisition, and performance measurement topics
- Work with FOP to sponsor formal training for finance officers to include change management, leadership skills, etc.
- Conduct a skills assessment of the financial management community.
- Continue annual budget/finance training effort. Specific format to be determined on a yearly basis.
- *Web Site for Course Offerings.* Expand the use of the Office of Financial Management Web site (<http://www.doi.gov/pfm/training.html>) to disseminate course offerings and provide career development links throughout the Department as well as other agencies.
- Sponsor courses to include:
 - Standard General Ledger
 - Activity Based Costing (ABC)
 - Dollars and Sense
 - Appropriations Law
 - Budget Execution
 - CGFM series
 - Hyperion
 - Leadership
- Continue to evaluate and refine a training program for bureau program managers.
- Begin development/consolidation of Interior Financial Management training materials to include modules on such topics as accounting, reporting, budget formulation, budget execution, etc.
- Research and implement 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.

FY 2005 and Beyond Planned Actions

- 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 the 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 participation in other governmentwide CFO training programs.
- Support participation in the Department's Team Leadership Program (TLP) and Senior Executive Leadership Program (SESCDP).
- Expand the use of the Web site as a source of links to financial management career development tools.
- With the FOP, continue to sponsor/conduct annual financial forums to address immediate training needs, including “just in time” training in key areas.
- Continue working with the FOP to update information on staffing needs within the bureau and Department finance offices.

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