



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

II. PROGRESS IN IMPLEMENTING THE CHIEF FINANCIAL OFFICERS ACT

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

To meet this formidable challenge, the Department has developed an aggressive agenda for streamlining, reducing the cost of operations, improving financial systems, improving financial reporting and accountability, enhancing the quality of financial services to customers, and re-engineering financial and program practices and processes. The Department embarked on an ambitious benchmarking effort to systematically identify accounting and financial processes and procedures that could be standardized, improved, or eliminated to improve customer service and reduce cost. In addition, the Department convened the Finance Officers Partnership (FOP), a group of senior financial managers from each bureau, to provide a baseline for future financial management re-engineering activities.

The Department is committed to integrating its program management functions with financial

management functions (budget, financial reporting, performance measurement and analysis, and financial statement audits). The Department is also continuing its efforts to make significant contributions to the development and implementation of government-wide financial policies and programs in the areas of accounting and reporting standards, financial systems, streamlining financial management processes, franchising, and meeting the objectives of the NPR and GPRA.

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

Financial Management Vision and Goals

The Department has sought to develop goals, strategies and specific initiatives in its Financial Management Strategic Plan that are consistent with the following financial management vision developed by the Government-wide CFO Council.

“Enabling government to work better and cost less requires program and financial managers--working in partnership using modern management techniques and integrated financial management systems--to assure the integrity of information, make decisions and measure performance



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to achieve desirable outcomes and real cost effectiveness.”

Through specific initiatives established both at the Departmental and bureau levels, Interior has worked hard to achieve the following goals established by the government-wide CFO Council:

- **Provide leadership to promote the efficient management of Departmental resources and assets.**
- **Provide quality financial services to internal and external customers based on their needs.**
- **Provide complete and useful financial information on Departmental operations that fully support financial and performance reporting.**
- **Establish a framework to provide sound financial policies and services, and facilitate effective communications.**

The Department has built on these initiatives working through collaborative relationships within the Department to: develop sound financial management policies and adopt best practices that will enhance the effectiveness and efficiency of the Department’s programs, and the way it conducts business; and, to ensure that financial management planning is a key component of the Department’s strategic planning.

Department Successes in Implementing the Chief Financial Officers Act

Since the inception of the CFO Act, the Department has made significant progress in improving

financial management. Some of the more significant achievements are summarized below:

Developed a highly effective CFO organizational structure

The Department has appointed a highly qualified and experienced Departmental CFO and Deputy CFO (DCFO), as well as CFOs and DCFOs in all bureaus. Interior applies the qualifications for the Departmental CFO and DCFO positions recommended by the Office of Management and Budget (OMB) and the CFO Council to all bureau CFO and DCFO positions.

The Department has established an Interior CFO Council to address emerging financial management issues, which includes bureau level CFO’s and DCFO’s, to assist in coordinating financial management activities of the Department.

The Department has also established the Finance Officers Partnership (FOP), a self-directed team comprised of bureau Finance Officers and a representative from the Office of Financial Management (PFM), to develop and implement management action plans to provide high quality, cost-effective financial information and services, and continually improve financial management within the Department. The FOP and 15 Project Action Teams were the direct result of recommendations developed through the “Financial Management Best Practices Project”.

Further, the Department has prepared CFO plans at the Department level in conjunction with CFO plans prepared for each bureau; and established a performance management framework including the Organizational Development and Performance Management Steering Group to provide guidance



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and assistance to bureaus in developing performance measurement programs, strategic plans, and fulfilling the objectives of the GPRA.

The Financial Management community has established an effective working relationship with the Administrative Systems Workgroup to focus on specific Department-wide administrative system improvement efforts, and supports a Financial Management Training and Development Program to assist Interior employees in addressing current and future financial management challenges.

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

The Department supports efforts to reduce the number of financial management systems and improve service delivery through concentrating services in centers of excellence. Interior has made significant progress in this area by establishing two administrative service centers, which function as accounting utilities, to provide timely and cost-effective accounting, payroll and personnel, and other administrative services to bureaus and offices, as well as cross-servicing other agencies. In addition, Interior is one of six agencies selected to participate in the Franchise Fund Pilot Program under the Government Management Reform Act.

Benchmarked Financial Management Functions

In 1993, Interior initiated a "benchmarking" effort, the "Financial Management Best Practices Project", designed to systematically identify accounting and financial processes and procedures that could be standardized, improved, or eliminated to improve customer service and reduce cost. From this effort, the Department developed a Management Action

Plan to undertake 15 financial management initiatives under the direction of the FOP to improve cost-effectiveness and quality of financial services; strengthen financial operations; ensure the integrity of accounting processes; and, provide for the greatest cost and FTE reductions. As a result of these initiatives and other bureau specific projects, the number of accounting and finance personnel within the central finance offices will be reduced approximately 25-30 percent by FY 1999. The Department is on schedule in achieving these significant reductions, and in fact, it has already achieved the reduction goals for FY 1997. Information concerning the Financial Management Best Practices Project initiatives are included in **Appendix B.**

Currently, the Department is participating in a benchmarking process sponsored by the American Institute of Certified Public Accountants (AICPA). This effort is needed in order to update the best practices study conducted in 1993 and to assist the Department in focusing on areas where the greatest potential for improvement exists.

The benchmarking process sponsored by the AICPA uses the Hackett Group, an Ohio corporation that specializes in business re-engineering, to provide technical expertise and a database application with detailed process definitions that have been developed specifically for this study. The Hackett Group Benchmark program is the largest, most comprehensive finance study of its kind with more than 650 companies and corporations participating worldwide. The software has been distributed to bureau project coordinators who will coordinate their bureau's responses to the benchmark questions. The study is expected to be completed in the Fall of 1996.



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Improved Business Practices

Over the past 5 years, many business practices have been improved. Examples of these streamlining efforts include:

- Strengthening asset and debt management programs by promoting the increased use of the small purchase charge card and facilitating related accounting system interfaces; increasing electronic fund transfers; initiating a contract for prepayment audit of Government Bills of Lading; increasing the use of debt offset programs; and substantially improving policy and procedure communications by establishing a home page to permit Internet access to the Department's geographically dispersed workforce.
- Initiating a Departmental Travel Management Re-engineering Laboratory to streamline and re-engineer the Department's travel process, and further emphasize the use of the travel charge card to eliminate government-issued travel advances.

Streamlined the Management Control Processes

Over the past 5 years the management control process has been substantially improved by:

- Streamlining the management control reporting process by following the direction and recommendations in the NPR.
- Initiating a Departmental Management Control Re-engineering Laboratory in March 1996, to identify a new, innovative, less resource intensive approach to fulfilling the requirements and intent of the revision to OMB Circular A-123, Management Accountability and Control.
- Restructuring the Management Control and

Audit Follow-up Council to improve coordination of management control functions and provide a Department-wide perspective to Council decisions.

Improved Financial Management Systems

Over the past several years, the Department's accomplishments in this area include:

- Successfully implementing a single, integrated core accounting system in 8 of the Department's bureaus (incorporating over 95 percent of all accounting transactions).
- Acquiring an off-the-shelf procurement system, and implementing the system at approximately 85 purchasing sites.
- Nearing completion of the development of a fully integrated, modern personnel/payroll system with implementation scheduled for completion in the first quarter of FY 1997.
- Establishing the Federal Financial System (FFS) Software Advisory Board to coordinate systems changes to the core financial systems software.
- Establishing the IDEAS Software Advisory Board to coordinate software activities associated with the acquisition system.

Improved Financial Management Reporting

Since the passage of the CFO Act, Interior has accomplished the following:

- Prepared and audited annual financial statements for all bureaus and offices on a "total-entity" basis. Received 10 unqualified audit opinions on bureau financial statements for FY 1995, and 2 qualified opinions.



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- Developed a “prototype” Department Annual Report with consolidated, audited financial statements for FY 1995 and received a “qualified opinion” on the consolidated financial statements.
- Established preliminary program and financial performance measures in all bureaus in conjunction with OMB staff, and preliminary strategic plans in bureaus.

Improved Communication about Financial Policies and Services

Over the past several years, Interior has accomplished the following:

- Prepared a Departmental Accounting Manual to replace existing bureau accounting manuals and distributed it to bureaus in January 1995. The manual consists of 11 technical chapters addressing such topics as accounting principles and standards, financial reporting, cash and other assets, and purchases and payables. Provisions have been made for maintaining the manual and issuing updates to reflect changes in laws and regulations.
- Established a home page on the Internet for the Office of Financial Management.
- This web site is used to disseminate timely information concerning policy directives, semi-annual and annual reports, training courses, and current reinvention efforts to internal and external interested parties. The address is http://www.usgs.gov/DOI/pfm/www_pfm.html.

Established a Data Stewardship Function

Over the past several years, Interior has accomplished the following:

- Assigned an individual in the Office of Financial Management to establish a data stewardship function for financial and related data within the Department and coordinating activities within Interior with government-wide efforts.
- Established a multi-year data integrity improvement program which is intended to ensure that financial information conforms to the highest possible standards of consistency and verifiability in the foreseeable future.
- Established the Standard Accounting Classification Advisory Team (SACAT) to coordinate activities related to standardization of Departmental financial classifications.

Established Collaborative Working Relationships

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

- ***Interior CFO Council*** - In 1992, the Department formed the CFO Council to advise and assist the Departmental CFO in establishing and carrying out



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

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

- **Project Action Teams** - The FOP uses Project Action Teams (PATs) to address/carry out its initiatives, activities, etc. The FOP selects PAT leaders and staffs them from the bureaus, Administrative Service Centers (ASCs) and PFM. In general, the PATs manage the projects (action items) and are accountable to the FOP through their representatives for the completion of assignments.

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

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

Strategy For the Future

The Department continues to pursue an aggressive agenda to implement significant improvements in all aspects of financial management in support of the CFO Act. The Department recognizes that budgetary funding and human resource constraints, organizational streamlining, re-engineering, rightsizing, and accelerating technological advances all pose major challenges for the timely achievement of our financial management improvement goals.

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

- Improving and upgrading financial systems and making effective use of emerging technology.



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- Improving financial management reporting and GPRA.
- Improving management accountability and control.
- Modernizing payment and business practices.
- Improving financial data stewardship.
- Strengthening financial management human resources.
- Expanding franchising opportunities.

A summary timeline of significant future actions is provided on the following page.

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SUMMARY TIMELINE OF SIGNIFICANT FUTURE ACTIONS**

Task Name	1996 Year 1	1997 Year 2	1998 Year 3	1999 Year 4	2000 Year 5	2001 Year 6
A. FINANCIAL SYSTEMS						
-COMPLETE MIGRATION OF FFS TO AN OPEN SYSTEMS ENVIRONMENT						
-IMPLEMENT A DSS/EIS						
-COMPLETE DEVELOPMENT & IMPLEMENTATION OF IDEAS						
-MAXIMIZE OPPORTUNITIES FOR USING EC AND EDI						
-REDUCE THE NUMBER OF PROPERTY SYSTEMS						
-IMPROVE INDIAN TRUST FUND SYSTEM						
B. FINANCIAL MANAGEMENT REPORTING AND GPRA						
-ACHIEVE UNQUALIFIED AUDIT OPINIONS ON ALL BUREAU FINANCIAL STATEMENTS						
-PREPARE & AUDIT CONSOLIDATED FINANCIAL STATEMENTS						
-PREPARE AN ANNUAL DEPARTMENTAL ACCOUNTABILITY REPORT						
-DEVELOP PERFORMANCE MEASUREMENT PROGRAMS & STRATEGIC PLANS IN ALL BUREAUS						
-PREPARE AN ANNUAL DEPARTMENTAL PLANNING REPORT						
C. MANAGEMENT ACCOUNTABILITY & CONTROL						
-IMPLEMENT RECOMMENDATIONS OF LAB TEAM						
-PILOT THE DEVELOPMENT OF MANAGEMENT CONTROL INDICATORS IN ALL BUREAUS						
D. ASSET & DEBT MANAGEMENT						
-IMPROVE CASH MANAGEMENT						
-IMPLEMENT REQUIREMENTS OF DEBT COLLECTION IMPROVEMENT ACT						
-IMPLEMENT RECOMMENDATIONS OF TRAVEL LAB						
-IMPROVE PROPERTY MANAGEMENT						
-MANAGE UNEMPLOYMENT COMPENSATION COSTS						
-IMPROVE ELECTRONIC COMMUNICATIONS						
-IMPROVE PROMPT PAYMENT ACT COMPLIANCE						
-IMPROVE PERMANENT CHANGE OF STATION (PCS) PROCESSES						
-MONITOR COST RECOVERY AND USER CHANGES						
E. FINANCIAL DATA STEWARDSHIP						
-EXPAND FOCUS OF DATA STEWARDSHIP FUNCTION/LINK WITH GPRA						
-IMPLEMENT DATA STEWARDSHIP PLAN						
F. FINANCIAL MANAGEMENT HUMAN RESOURCES						
-EXPAND THE FINANCIAL MANAGEMENT TRAINING AND DEVELOPMENT PROGRAM						
G. FRANCHISING						
-IMPLEMENT FRANCHISE FUND PILOT PROGRAM						