## V. MANAGEMENT ACCOUNTABILITY AND CONTROL

Maintaining integrity and accountability in programs and operations requires sound management control and audit follow-up programs to build public trust and confidence in the way the Department carries out its mission. Management control and audit follow-up activities in the Department are guided by the requirements and intent of the FMFIA and Amendments to the IG Act of 1988, and the principal implementing guidance provided in OMB Circulars A-123, Management Accountability and Control, and A-50, Audit Follow-up. The Department has complied with these requirements and met the challenge of improving the integrity, accountability and effectiveness of its programs and operations by establishing, maintaining and continuing to improve quality management control and audit follow-up programs.

The goals of the management control program are to ensure that programs and operations achieve their intended results efficiently and effectively; resources are safeguarded and used consistent with the agency mission; laws and regulations are followed; and, reliable and timely data is provided and used for decision-making at all levels. The goals of the audit follow-up program are to ensure that audit recommendations are implemented in a timely manner to maximize the efficiency and effectiveness of programs and operations, and that disallowed costs are collected and offset.

Over the last several years, the Department has developed and implemented key initiatives designed to streamline, further strengthen, and add value to the management control and audit follow-up programs, and institutionalize them into day-to-day management activities and operations. Some of the more significant accomplishments were:

• restructuring the Departmental Management Control and Audit Follow-up Council by appointing all Assistant Secretaries, the Solicitor and the Inspector General (Ex Officio) as members to provide a more "Departmental perspective" to Council deliberations and decisions,

• reducing OMB-identified Departmental high risk program areas by 67 percent and related material weaknesses by 86 percent, since 1991 (See Exhibit V-1),


High Risks Areas and Related Material Weaknesses
BIA is the Remaining High Risk Area

Exhibit V-1

■ Material Weaknesses   ■ High Risk Areas
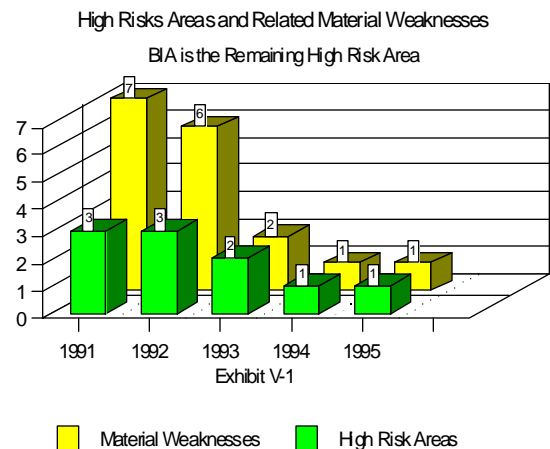
• reducing the number of pending (uncorrected) material weaknesses by 55 percent since 1991 (See Exhibit V-2),

• reducing the number of pending (uncorrected) material accounting system non-conformances by 55 percent since 1991 (See Exhibit V-3),

TOTAL UNCORRECTED MATERIAL WEAKNESSES

Exhibit V-2

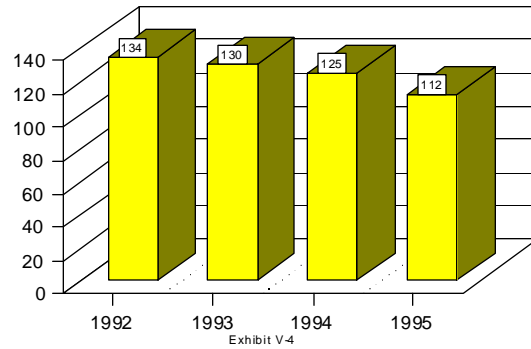TOTAL UNCORRECTED ACCOUNTING SYSTEM NON-CONFORMANCE

Exhibit V-3
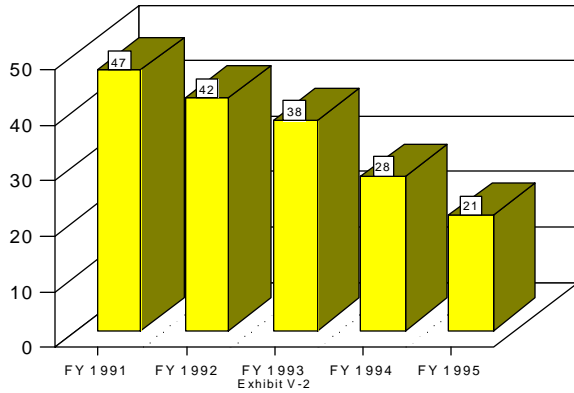
• improving the Department's record of timely implementation of GAO and OIG audit report recommendations and closing audits, collecting and offsetting disallowed costs, and reducing the number of disputed recommendations between management and the OIG referred to the Department for resolution, (see Exhibits V-4 and V-5),
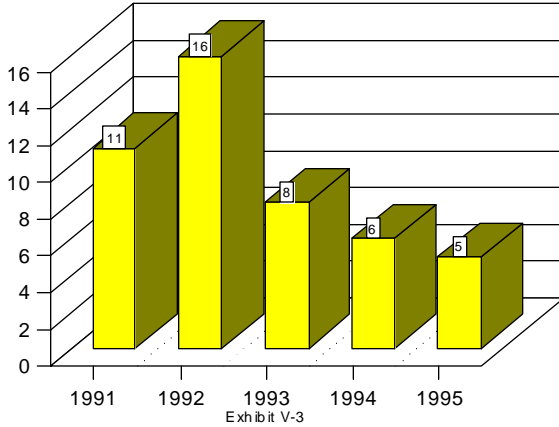
REDUCTION IN AUDITS IN TRACKING
At End of the Last 4 Years

Exhibit V-4

AUDITS REFERRED TO PMB FOR RESOLUTION
Pending at the End of the Last 4 Fiscal Years

Exhibit V-5

• developing and implementing a Management Control Project Management Training Program to assist managers in the development and monitoring and timely completion of material weakness corrective action plans,
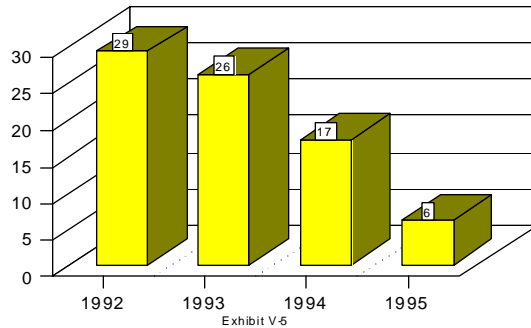
• developing, in conjunction with OMB, a BIA Financial Management Improvement Project to establish a framework for resolving long-standing systemic financial management control problems, and

• developing and providing Department-wide training on proper statistical sampling concepts and procedures for use in auditing financial records and performing evaluations of accounting operations. This initiative is one of the FOP Management Action Plan projects.

Management Control Re-engineering Lab

In March 1996, Interior initiated a Departmental Management Control Re-engineering Lab to identify and implement a new, less resource-intense approach to fulfilling management control responsibilities in re-engineered and downsized programs and operations.

The goals of the Lab were to: (a) identify new and innovative ways to ensure integrity and accountability in departmental programs and operations; (b) integrate evaluations required by the GPRA, OMB Circular A-123 and the CFO Act; (c) reduce reliance on traditional resource-intensive management control reviews; (d) provide a concise, meaningful summary reporting vehicle for management; and, (e) achieve the goals of the NPR and OMB A-123.

The results of the Lab confirmed that the current Management Control Program is no longer a cost-effective approach for fulfilling management control responsibilities in our downsized and re-engineered programs and operations. As much as 57 percent of the processes and action points required by the current program contribute little or no value to the program, contribute to significant delays in planning, conducting and reporting the results of reviews, and are inconsistent with the objectives, direction and intent of the NPR and revision to OMB Circular A-123. Further streamlining will not address these issues.

The Lab identified a number of weaknesses in the current program including:

• The current program costs too much because it relies heavily on traditional management control reviews. Sample cost data indicated that a minimum of $53,000 is expended on a traditional program control review and $8,000 on an administrative or functional review. In each of the last 2 years, a minimum total of $5.2 million has been expended on traditional control reviews Department-wide, while only one new material weakness has been reported each year. A more focused and cost-effective review approach is desperately needed.

• The current program produces too much paper because of its reliance on traditional control reviews and failure to take full advantage of existing information technology. The program requires various periodic reports which are redundant and of minimal value to bureaus and the Department. An alternative means of program progress monitoring is needed.

• The current program has a negative focus it is only concerned with what our problems and deficiencies are and how we fix them. The Department needs to identify and share best practices to foster continuous improvement and improve program effectiveness.

• The current program guidance at the Department and bureau level is outdated, redundant, complex, and burdensome. It needs to be simplified and made readily available as a useful reference tool for employees. Further, training on establishing, implementing, and assessing controls for downsized and re-engineered programs is needed.

The Lab recommended that the Department eliminate the current Management Control Program and adopt and rigorously support the new Integrity in Management Program beginning in FY 1997. The most significant outcome of the Lab was the identification of a new, innovative automated approach for performing control assessments which appears to have tremendous potential for cost-savings and improved efficiency.

During the Lab Team's benchmarking activities and best practice reviews, an innovative, self-assessment approach and related automated tool being used effectively in private industry and the Federal procurement arena was identified. The Lab Team formed a subgroup to analyze the approach and assessment tool, and consider the feasibility of adapting it to the management control program.

The assessment approach is referred to as the "PMAT" (Performance Measurement Assessment Tool). PMAT is a self-assessment approach used to measure the quality of performance and achievement of defined objectives and measures from multiple perspectives (customers, management, and employees). The Office of Property and Acquisition Management is pilot testing PMAT in the procurement area using a customer survey questionnaire and off-the-shelf software to capture assessment results and produce statistical tables and analytical reports. The primary output of the PMAT software is the "spider glyph"-- a summary report graph that depicts and measures an organization's strengths and weaknesses for predefined objectives or measures.

The subgroup determined that PMAT was a logical, cost-effective, user friendly, and portable assessment approach that could help achieve all of the Lab's objectives for a new program.

One concern was that it relied on a manual process for questionnaire distribution and collection and software data input. The subgroup identified available software within the Department that would enable the PMAT assessment to be conducted over the Department's E-Mail network -- totally automating the assessment process and making it even more cost-effective and timely.

A key element of the Lab Team's work was the development of the general integrity measures for the test assessment based on the five objectives of management control presented in revised OMB Circular A-123, and the general and specific standards for management control pronounced by GAO and presented in the Internal Control Integrated Framework of the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. The following eight management integrity measures were identified:

- Organizational Control Environment
- Risk Management
- Program Effectiveness
- Resource Stewardship
- Regulatory Compliance
- Management Information
- Financial Systems and Data Integrity
- Audit Resolution

A series of questions was developed to support an

overall assessment for each management integrity measure with a description of what should be measured or assessed for each management integrity measure. Under the proposed process with a simple, one-page graphical summary, it is possible to make an informed judgment about whether a program, operation or organization generally complies with OMB management control objectives -- the conclusion in the annual assurance statement.

Based on the results of the test assessment, the subgroup concluded that the PMAT approach is adaptable to the management control program. The PMAT approach appears to have the potential for fully automating management control assessments and reporting, and providing a cost-effective alternative to traditional control reviews. PMAT also provides a concise and meaningful summary report (spider graph) which relates the assessment results to specific management integrity measures based on statutory requirements. Moreover, the PMAT approach provides a means of capturing and analyzing trends over time to identify areas of improving or diminishing performance.

The Department intends to pilot test the adaptability of the new, innovative PMAT assessment and reporting approach in several bureaus during FY 1997. The Lab Team believes that there will be significant cost savings for assessments and reporting using the PMAT approach -- as much as 75 percent of current expenditures. The pilots will assess the potential for cost-savings and improved efficiency of the PMAT approach and the effectiveness of the PMAT to identify best practices and material weaknesses -- both of which are needed to foster continued improvement and improved efficiency.

The PMAT approach produces a simple, meaningful summary management reports (the spider graph) that

directly relates assessement results to statutory objectives and requirements. This report should give senior managers greater confidence in reporting and attesting to conculsions in their annual assurance statements. Finally, the PMAT approach provides much needed trend information over time so that improving or diminishing performance can be identified and monitored.

> *Action Items* **-** Interior intends to implement the recommendation of the Lab Team beginning in FY 1997. The new model for the Management Control Program is to be named - "Integrity in Management Program (IMP)." The IMP will be based on the idea that managing programs and operations with integrity, not controls, is the cornerstone to achieving the objectives and intent of OMB Circular A-123. The new IMP will be designed to address and balance statutory requirements with customer needs and concerns, while being supportive of other Department management improvement initiatives and processes in a cost-effective and results oriented manner. In addition, the IMP would provide for the identification and sharing of best practices, and ensures Departmental Manual sections, handbooks, and other program guidance are updated, simplified, and transformed into useful reference tools for employees.