

U.S. Department of the Interior

Financial Management Status Report and Strategic Plan

Required by:
The Chief Financial Officers Act of 1990

September 1996





FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

EXECUTIVE SUMMARY

The American people have a long-term investment in the resources managed by the Department of the Interior. From its establishment in 1849, the Department has managed many and varied programs including Indian affairs, administering land grants, improving historic western emigrant routes, maintaining boundaries, administering pension laws, issuing patents, conducting the census, and conducting research on the geological resources of the land.

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

One of the Department's principal goals has been to ensure that the funding the American people provide is used as efficiently and productively as possible. To achieve this goal, the Department has focused on three areas — streamlining, re-engineering, and customer service. These efforts support the Chief Financial Officers (CFO) Act of 1990, Government Performance and Results Act (GPRA) of 1993, the Government Management Reform Act (GMRA) of 1994, and the Federal Acquisition Streamlining Act of 1994.

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

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

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

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



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

To meet this formidable challenge, the Department has developed an aggressive agenda for streamlining, reducing the cost of operations, improving financial systems, improving financial reporting and accountability, enhancing the quality of financial services to customers, and re-engineering financial and program practices and processes. The Department is committed to integrating its program management functions with financial management functions (budget, financial reporting, performance measurement and analysis, and financial statement audits). The Department is also continuing its efforts to make significant contributions to the development and implementation of government-wide financial policies and programs in the areas of accounting and reporting standards, financial systems, streamlining financial management processes, franchising, and meeting the objectives of the National Performance Review (NPR) and GPRA.

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

Department Successes in Implementing the Chief Financial Officers Act

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

significant achievements are summarized below:

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

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

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

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



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

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

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

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

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

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

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

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

Strategy For The Future

While we are proud of our successes to date, much



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

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

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

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

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

The Department recognizes that budgetary funding and human resource constraints, organizational streamlining, re-engineering, rightsizing, and accelerating technological advances all pose major challenges for the timely achievement of our financial management improvement goals. However, we believe that the plan established for the Department focuses on the importing areas needed to ensure integrity in our operations and



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Table of Contents

	<u>Page</u>
Chapter I - Overview of Department	1
Chapter II - Progress in Implementing the Chief Financial Officers Act	2
Chapter III - Financial Management Systems	10
Chapter IV - Financial Management Reporting and GPRA	20
Chapter V - Management Accountability and Control	25
Chapter VI - Modernizing Payment and Business Practices	30
Chapter VII - Financial Data Stewardship	36
Chapter VIII - Financial Management Human Resources	38
Chapter IX - Franchising	40
Appendix A - Organization	A-1
Appendix B - Best Practice Project	B-1
Appendix C - Financial Officers Partnership	C-1
Appendix D - Bureau Initiatives	D-1



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

I. OVERVIEW OF THE DEPARTMENT

The American people have had a long-term investment in the resources managed by the Department of the Interior. From its establishment in 1849, the Department has managed many and varied programs including Indian affairs, administering land grants, improving historic western emigrant routes, maintaining boundaries, administering pension laws, issuing patents, conducting the census, and conducting research on the geological resources of the land. Following the conservation movement at the beginning of the 20th century, however, the Department focused its attention on the preservation, management, understanding, and use of natural and cultural resources with an increasing sense of the fragile nature of those resources and the interdependence of ecosystems.

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

One of the Department's principal goals has been to ensure that the funding the American people provide is used as efficiently and productively as possible. To achieve this goal, the Department has focused on three areas -- streamlining, re-engineering, and customer service. As a result, the Department has been a leader in the Administration's initiative to reinvent Government and implement the

recommendations of the National Performance Review (NPR). The reduction of our workforce responds to the President's Executive Order, the Federal Workforce Restructuring Act of 1994, and the Secretary's direction to reinforce employees in the field who are in direct contact with the public. Other driving forces promoting improved efficiency and effectiveness include the Government Performance and Results Act (GPRA) of 1993, the Chief Financial Officers (CFO) Act of 1990, the Government Management Reform Act (GMRA) of 1994, and the Federal Acquisition Streamlining Act of 1994.

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



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



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

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



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

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.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

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.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

- 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



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

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.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

- 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.

**FINANCIAL MANAGEMENT STATUS REPORT & STRATEGIC PLAN
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						



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

III. FINANCIAL MANAGEMENT SYSTEMS

The Department shares the view of the government-wide CFO Council that a key to improved financial and program management is improved financial management systems. Performance reports, financial statements, and electronic commerce are all derived from and are dependent on sound Departmental financial management systems. Improving financial management systems will provide for and strengthen our decision-making capabilities and enable Interior program and financial managers to more effectively carry out the Department's missions.

The Department continues to move toward the objective stated in OMB Circular A-127 for each agency to establish a single, integrated financial management system. The Department views the movement toward a single, integrated financial system as encompassing three interrelated elements: (1) migrating to integrated Department-wide systems for accounting, payroll/personnel, procurement, and property; (2) improving or replacing certain mixed systems; and (3) effectively interfacing or integrating data from other financial management systems necessary to properly support program and financial managers.

The Department has made significant progress in improving its financial management systems. Since the mid-1980's, the Department has initiated several major systems efforts aimed at improving its financial systems, and eliminating duplicative and redundant systems.

- Personnel/Payroll Systems - The number of personnel/payroll systems used within the Department was reduced from 5 to 1 by 1984. The Department's existing personnel/payroll

system (PAY/PERS) will be replaced with a fully integrated, modern, on-line system, the Federal Personnel/Payroll System (FPPS), being developed by the Bureau of Reclamation's Denver Administrative Service Center. FPPS development will be completed in October 1996, with implementation to follow during FY 1997.

- Core Financial Systems - The number of existing bureau core financial systems was reduced from 10 to 2. The FFS has been implemented in 8 bureaus which account for over 95 percent of the Department's accounting transaction volume. The remaining three bureaus have not migrated to FFS because funding has not been appropriated in recent years to convert their agency system to FFS. Instead, these three bureaus, who all use ABACIS, formed a partnership to increase the standardization of financial management activities across the three bureaus and to coordinate and share in the cost of system changes and improvements thus insuring a virtual, single accounting system.

- Acquisition Systems - The Department initiated a project in 1993 to acquire and implement a standard procurement system, the Interior Department Electronic Acquisition System (IDEAS). The system automates the acquisition process in requisitioning, contracting, purchasing, and contract administration. Commercial software has been procured and modified to meet Departmental needs. Implementation is underway (approximately 85 sites have been implemented), and completion is scheduled for FY 1998.

- Administrative Service Centers - The Department established two Administrative Service Centers (ASCs) and is cross servicing its own bureaus and other Federal agencies. The ASCs are providing consistent, high quality, and



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

cost-effective services such as accounting, personnel/payroll, procurement, and other administrative support.

Through these and related efforts, the Department is making substantial progress toward complying with the OMB definition for a single, integrated financial management system. In meeting the definition, the Department relies on a variety of financial management systems that are collectively necessary to 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 government-wide systems that the Department relies on. Collectively, they represent the Department's current financial system architecture as shown in Exhibit III-1, arrayed by the different types of management approaches being used.

However, the Department does not at the present time meet the OMB requirements for a single, integrated financial management system in three respects: not all systems are linked electronically to the accounting systems, the Department continues to operate two primary accounting systems (FFS and ABACIS), because the funding necessary to migrate the three remaining bureaus to FFS has not been appropriated in recent years. In addition, the migration of the ABACIS bureaus to FFS is dependent upon the availability of a software version (Open FFS) that operates on other than a mainframe computer platform, and the Department has not yet established financial management systems with standardized information and electronic data exchange between the two primary accounting systems and other financial and mixed (program and financial)

systems, although various initiatives are underway to establish Department-wide standardized financial data classifications and improve electronic transmission of data between financial systems.

The Department's goal is to resolve the above issues and to enhance the financial management systems capabilities to improve support for the partnership between the program and finance managers. Budgetary funding and human resource constraints, and accelerating technology advances pose major obstacles to achieving our financial management systems improvement initiatives in the future. Further, strategy initiatives will be affected by the changes brought about by organizational rightsizing, streamlining, and re-engineering opportunities arising from the National Performance Review and Departmental re-engineering laboratories. Timely completion of FOP initiatives, migration of Departmental administrative systems to an "Open Systems Environment", a clear focus on improving customer service, and the expansion of the Department's previous successes in streamlining financial systems/processes into other areas will be critical for success in achieving the Department's goal.

Financial Management Systems Improvement Strategy

As required by OMB Circular A-127, the Department is moving aggressively toward establishing a single, integrated financial management system. Exhibit III-2 illustrates the planned financial system architecture for the next 5 years. To achieve this architecture, the Department continues to work toward completing six major financial management systems improvement strategies: migrating the Federal



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Exhibit I

Department of the Interior
Financial Management Systems - Current Environment

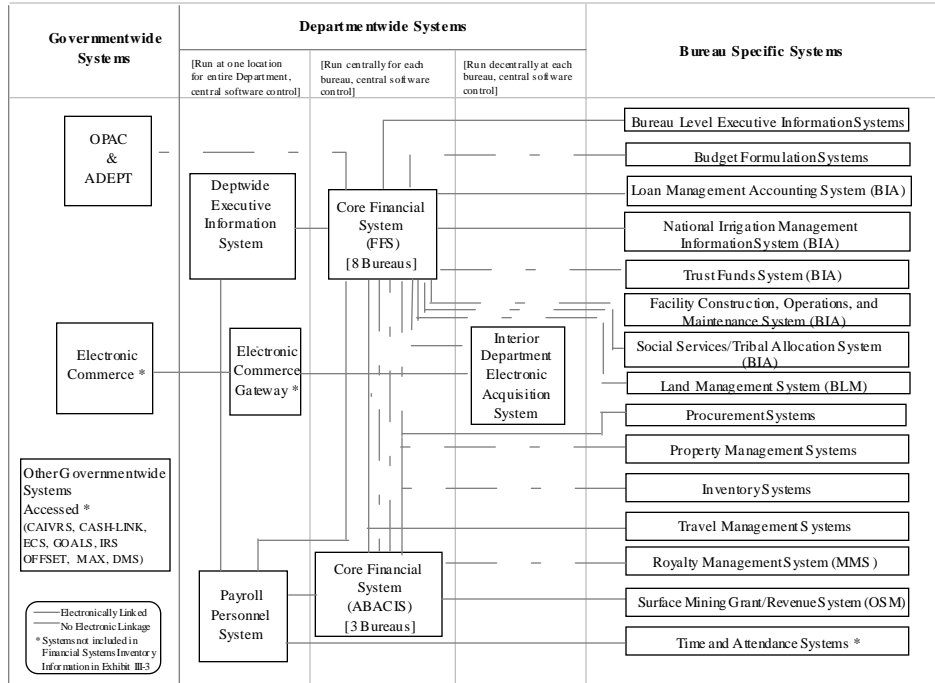
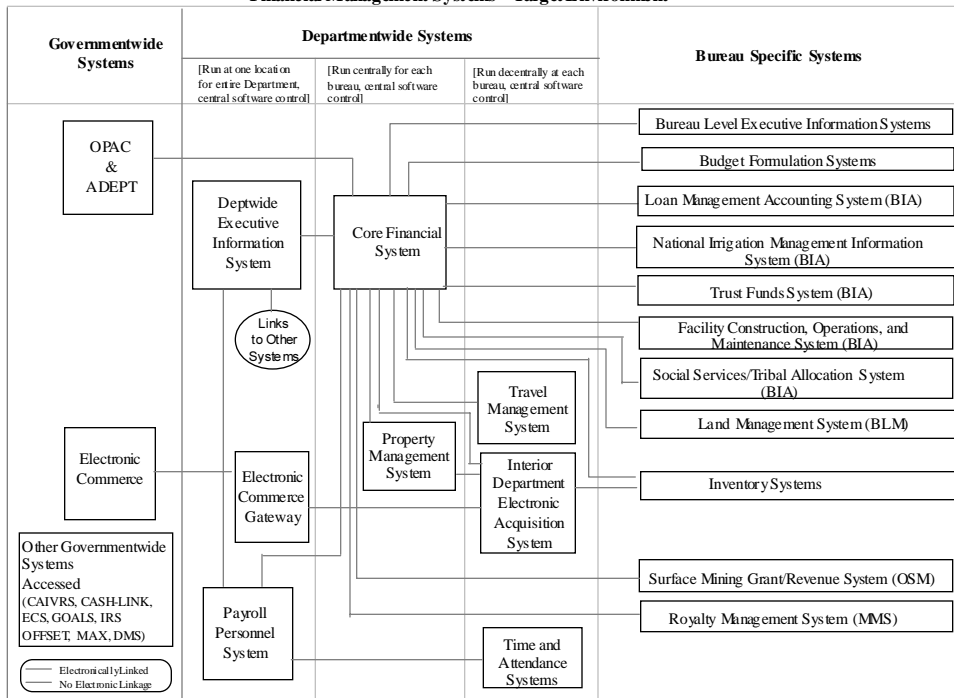


Exhibit II

Department of the Interior
Financial Management Systems - Target Environment





FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Department of the Interior Financial Management Systems Supporting System/Applications

DEPARTMENTWIDE SYSTEMS

Departmentwide Executive Information

- Decision Support System/Executive Information System (DSS/EIS)

Payroll Personnel System

- Federal Personnel/Payroll System (FPPS) (New Departmentwide System Being Implemented Phases)
- Payroll/Personnel System (To Be Replaced By FPPS)

Core Financial System (FFS)

- Federal Financial System (8 Bureaus)
FFS MICROLINK (Used By Various Bureaus)

Core Financial System

- Advanced Budget/Accounting Control and Information System (3 Bureaus)

Interior Department Electronic Acquisition System

- Departmentwide System Being Implemented In Phases And Intended To Replace Bureau Procurement Systems

BUREAU SPECIFIC SYSTEMS

Bureau Level Executive Information Systems

- Program Management System (BLM)
- Financial Information Reporting System (BOR)
- Administrative Information System (GS)
- Administrative Financial System II (NPS)

Budget Formulation Systems

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

Loan Management Accounting System (BIA)

National Irrigation Management Information System (BIA)

Trust Funds (BIA)

- Individual Indian Monies System
- Integrated Resources Management System
- General Ledger Accounting for Trusts
- Computerized Credit System
- Investment Portfolio Accounting

Facility Construction, Operation, and Maintenance System (BIA)

Social Services/Tribal Allocations System (BIA)

- Indian Priority System (BIA)
- Social Services Automated System (BIA)

Land Management Systems

- Grazing Automated Billing System (BLM)
- Automated Lease Management System (BLM)

- Payment in Lieu of Taxes (BLM)

Procurement Systems

- Mines Procurement Data System (BOM)
- Bureau of Reclamation Acquisition Information System (BOR)
- Procurement Management Information System (GS)

- Procurement System (OS)

Property Management Systems

- FFS Fixed Assets Subsystem (BIA, BLM, GS)
- Automated Personal Property System (BLM)
- Real Property (BLM)
- Mines Accountable Property System (BOM)
- Moveable Property System (BOR)
- Property Management System (MMS)

- Personal Property Management Information System (NPS)

- Property Accounting and Control System (OS)

Inventory Systems

- FEDSTRIP System (BOR)
- STORES Warehouse Inventory Control System (BOR)

- Material Management Inventory Control (GS)

- DORRAN (GS)

- Inventory Subsystem (GS)

Travel Management Systems

- Travel Manager Plus

Royalty Management System

- Production Accounting and Auditing System (MMS)

- Auditing and Financial System (MMS)

Surface Mining Grant/Revenue Systems

- Grant Information Financial Tracking System (OSM)

- Fee Billing and Collection System (OSM)

- Audit Fee Billing and Collection System (OSM)

- Civil Penalty Accounting/Information Database (OSM)



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Financial System (FFS) to an “open system environment”; implementing a Decision Support System/Executive Information System (DSS/EIS); implementing a Department-wide Procurement System; maximizing opportunities for utilizing Electronic Commerce (EC) and other EDI applications; reducing the number of Property Systems; and improving the Indian Trust Funds Systems. The current status and future plans for financial management systems is described below.

In carrying out the Department’s financial management systems strategy, the FOP plays a key role. Many of the PATs sponsored by the FOP involve improvements to the Department’s financial management systems. Examples of these FOP efforts include:

- Developing an interface between IDEAS and the Department’s accounting and property systems. (Scheduled for completion in FY 1997.)
- Expanding remote data entry of financial transactions throughout the Department. (Guidelines for remote data entry were completed in FY 1996. Remote data entry of financial transactions has been implemented in eight bureaus.)
- Developing a joint testing plan for FFS software releases and standardizing system processing controls and options in FFS where feasible and advantageous. (Revised process completed and used for the FY 1996 release of FFS.)
- Improving the quality of FFS vendor software releases and FFS software enhancement procedures through strengthening acceptance criteria for vendor releases and standardizing procedures and processes for submitting requests for enhancements and problem reports. (Completed in FY 1996.)

- Developing and implementing an improved automated table clearing and archival process in FFS. (Scheduled for completion in FY 1997.)
- Developing an interface between the new Federal Personnel/Payroll System (FPPS) and the accounting systems. (Scheduled for completion in FY 1997.)
- Developing an interface between the Rocky Mountain Bank and FFS to process RMBC transactions. (Software development completed in FY 1996. Software to be installed in three bureaus in FY 1996, with remaining bureaus to implement during FY 1997.)
- Promoting the use of VISION:Flashpoint in Interior bureaus as a tool to improve the ease of use of the current mainframe version of FFS. (Initial implementation efforts are underway in the Bureau of Indian Affairs.)

The major financial management system improvement strategies for the Department are described below:

1. Migrating FFS to an “open system environment”

The FFS vendor (American Management Systems, Inc.-- AMS) is re-engineering FFS using new technology (referred to as “Open FFS”). The architectural objectives of Open FFS are to: support multi-tiered client/server configurations; comply with open systems’ standards; and support portability across multiple platforms, communications protocols, and operating systems (e.g., MS Windows, UNIX, OS/2, etc.). Moreover, Open FFS is being developed using object oriented language and a relational database architecture.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

The end-user objectives of Open FFS can be broadly summarized as follows: be user-friendly and intuitive; provide functional flexibility; minimize data entry; provide inquiries and reporting tools; and be more easily modifiable.

The architectural objectives of Open FFS satisfy the Department's overall plan to migrate all Departmental Administrative Systems to an "Open System Environment". Moreover, Open FFS, because of the end-user objectives described previously, provides an excellent opportunity to expand field data entry of accounting transactions. Thus, for these and other reasons, it is in the best interest of the Department of the Interior to pursue the time phased migration to this new FFS environment.

Open FFS is being developed in modules. Program Office Desktop (the first module) is available now. The vendor's current target date for the completion of the development of all the Open FFS modules (including modules for replacing the mainframe components) is the second quarter of calendar year 1997.

Action Items - Interior is currently pilot testing Program Office Desktop at the Washington Administrative Service Center. Moreover, a project team (composed of Departmental and bureau representatives) has been formed to review Program Office Desktop, and the other Open FFS modules as they become available. Completion of the review of Program Office Desktop is planned for the second quarter of FY 1997, with the project team targeting completion of its review of Open FFS for the fourth quarter of FY 1997. However, the project team's efforts are dependent on the vendor

meeting its announced Open FFS software delivery schedule. The Department intends to finalize plans for migrating to Open FFS by the fourth quarter of FY 1997, including identifying the initial bureaus to implement Open FFS. The timing of the migration to Open FFS will be dependent on obtaining adequate sources of funding.

2. Implementing a Decision Support System / Executive Information System (DSS/EIS)

Interior's efforts to implement a Decision Support System/Executive Information System (DSS/EIS) is intended to deliver summary level information to executives to aid in their decisions and provide a user friendly interface and graphics to interact with individuals who may or may not be highly proficient in using computer technology. This effort is part of a Departmental Administrative Systems Workgroup that was established in the fall of 1994 to determine methods for improving access to the Department's administrative systems and delivery of the Department's administrative information to users.

In May 1995, a project team was formed to determine short and long term strategies for Decision Support/Executive Information Systems (DSS/EIS). At that time, Interior did not have a DSS/EIS to provide executives with various views of financial information (e.g., current budget authorities, obligation and expenditure of funds with comparisons to budget, actual and projected FTE information, procurement and inventory data, etc.). This team was composed of representatives from the Office of Information Resources Management, Office of Personnel, Office of Acquisition and Property Management, U. S. Geological Survey, Office of Financial



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Management, and the Washington Administrative Service Center. The efforts of the project team resulted in the acquisition of commercially available DSS/EIS software (Hyperion Enterprise) in September 1995.

Since the acquisition of the Hyperion Enterprise software, Interior has developed several pilot applications to demonstrate DSS/EIS capabilities, including accessing bureau level financial data from FFS and accessing non-financial data from Interior's Procurement Data System. In addition, the Department has developed operational systems for (a) consolidating bureau trial balance data to support preparing the Department's consolidated financial statements (for the FY 1995 Departmental Consolidated Financial Statements, the Hyperion application ran parallel to the Excel application), (b) analyzing revenue and cost information to support the Interior Service Center's efforts to develop the 1997 business plan, and (c) tracking of SF-133 budget execution data submitted by bureaus to the Office of Management and Budget.

Action Items - During FY 1997, the Department plans to use the Hyperion Enterprise software as the single source of preparing the consolidated financial statements for FY 1996, build a financial statement application for one of the ABACIS bureaus for use in preparing the FY 1996 financial statements and for other management reporting, develop a management reporting application for a bureau using data from FFS, build an application consolidating budget information for the Department, and develop a strategic plan for implementing and managing the DSS/EIS for other applications over the next few years.

3. Implementing a Department-wide Procurement System

The Department of the Interior competitively awarded a 10 year contract to Price Waterhouse in September 1993 for the Interior Department Electronic Acquisition System (IDEAS). IDEAS automates the procurement process in requisitioning, contracting, purchasing, and contract administration. The Department began implementing IDEAS in July 1994, with Electronic Commerce (EC) piloted at five sites in three bureaus. In FY 1995 and FY 1996, training was conducted and the software installed at 50 locations in six bureaus, plus about 30 additional requisitioning sites in one bureau. Installation and testing has been completed on a Departmental EDI Gateway and a limited number of procurement sites have been connected.

Action Items - In FY 1997, IDEAS implementation will continue with all remaining bureaus beginning the implementation process. The Department will transition the IDEAS application software from character-based to Windows in FY 1997, thus enhancing the ease of use and increasing the capabilities of the software. The Department expects to implement an interface between IDEAS and the accounting systems, along with the Windows version of IDEAS software as it is implemented. In addition, the Department will continue to operate the EDI gateway to transmit/receive DOI EC transactions to/from the DoD Electronic Commerce Processing Nodes and thus to the Federal Acquisition Computer Network.

The Department will continue to work with other



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Federal agency users of the SACONS/IDEAS software, including GSA, Department of Education, Army, our franchise clients, and others to coordinate and reduce the costs of software enhancements. Currently, the Department is providing (as an OMB authorized Franchise effort) procurement system support to other departments through the cross-servicing provisions of the IDEAS contract. DOI implemented and provided technical support services to the Department of the Treasury, Office of the Secretary; U.S. Customs Service; Federal Trade Commission; and the Federal Communications Commission. The Department expects to begin providing cross-servicing support to the Bureau of Engraving and Printing during FY 1997. Over the next few years, cross-servicing of clients by the Washington Administrative Service Center (WASC) will continue to be expanded.

4. Maximizing opportunities for utilizing Electronic Commerce and other EDI applications

An October 1993 memorandum from the President to the heads of executive departments and agencies established the objective to streamline procurement through the use of Electronic Commerce (EC). Interior has aggressively pursued the President's mandate. For example, Interior was the first Cabinet Department to have FACNET certified sites. Moreover, during FY 1995, Interior had more EC procurement traffic than all other civilian agencies combined. With the continued implementation of IDEAS during FY 1997, Interior intends to increase its volume of EC procurement transactions.

From FY 1993 to FY 1995; the number of purchase cards increased from 4,535 to 9,814. The number of transactions increased from 96,060 to 265,392;

and, the purchase card dollar volume increased from \$17 million to \$68 million. Interior is ranked sixth in overall sales and third among the civilian agencies in dollar value. In FY 1995, 14 percent of small purchases were made with the purchase card. The Department's target is to increase purchase card use to 25 percent of small purchase dollars for FY 1996 and to 40 percent of small purchase dollars for FY 1997. Moreover, the RMBC interface provides a standardized, optimally efficient process which minimizes data entry while improving customer service. With the full implementation of the Rocky Mountain Bank Card (RMBC) interface in FY 1997, Interior bureaus will be receiving and processing RMBC invoices electronically. The FOP has also established a new Project Action Team which, in FY 1997, will be investigating the expansion of electronic invoicing to other selected vendors.

Action Items - The Department is currently in the process of implementing the electronic payment requirements of the Debt Collection Improvement Act of 1996. During FY 1997, Interior will be investigating other forms of electronic payments, such as Visa E-Pay and the use of smart cards for the collection of entrance fees at national parks.

5. Reducing the Number of Property Systems

The Department's property system strategy is aimed at reducing, standardizing, and streamlining the automation of the personal and real property management functions Department-wide. This effort is intended to increase productivity and also to avoid the costly development or modification of duplicative, independent systems. Material weaknesses exist in several bureaus' property management programs. The Chief Financial



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Officers Act requirements and budget constraints compel the Department and bureaus to evaluate their current systems and systems options. The Department will work with bureaus to evaluate those options and ensure that such efforts are Department-wide or multi-bureau in scope. These evaluations are entirely consistent with the Department's administrative systems policies and strategies.

Action Items - During the FY 1997-1998 timeframe, the Department will continue coordinating with the bureaus to reduce the number of separate bureau automated personal property systems. A property module, with an electronic linkage to FFS, has been developed and implemented in three bureaus. In FY 1997, planning will commence regarding the possible implementation of this integrated property module in an additional bureau. In addition, the Department will continue to support bureau initiatives, like those in MMS, designed to integrate and upgrade its property system with IDEAS and its present accounting system, ABACIS. The resulting upgrade will be used by the two other ABACIS bureaus. Progress in FY 1997 and beyond will depend on the necessary staffing and funding being made available.

6. Improving the Indian Trust Funds System

In recent years, reviews by the General Accounting Office, the Department's Inspector General, and independent accounting firms have identified serious financial management problems in the Bureau of Indian Affairs' (BIA's) management of Indian Trust Funds. Reports based on these reviews have indicated, among other things, that current ADP systems are unreliable, inaccurate, inconsistent, inadequate to comprehensively process trust data,

and incapable of supporting investment activities. Also cited were various system-related problems, such as inadequate internal controls and lack of consistent, written policies and procedures.

To bring about long-term constructive improvement in trust funds management, the Department issued a draft report--"Indian Trust Funds and Trust Asset Management Reform Plan" in June 1994. Several initiatives have stemmed from the report, known as the Secretary's "Six Point Plan."

The Six Point Plan includes acquisition of sound, proven commercially available investment and accounting services to facilitate the transfer of trust fund management to skilled investment professionals. Under this initiative, the Office of Trust Fund Management implemented an interim, core general ledger and investment accounting system. This is a service bureau system for tribal investment portfolio data management, cash accounting, and general ledger accounting services. It helps the Office of Trust Funds Management perform fiduciary duties regarding tribal trust fund collection, investment, accounting, and reporting. The system provides state-of-the-art processing capabilities for trust funds administration, without significant capital expenditures or long term commitment.

The Six Point Plan also calls for working toward resolving the complex issues surrounding Individual Indian Money (IIM) accounts, including improving IIM-related systems. An inter-departmental team reviewed the processes and problem areas, and identified options for resolving problems. Options considered including in-house re-engineering, obtaining outside services (from tribes, government agencies, and commercial



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

entities), consolidating functions, acquiring off-the-shelf software, and revising policies and procedures. The team's report could help form the basis for comprehensive system enhancement.

In accordance with the American Indian Trust Fund Management Reform Act of 1994, the Special Trustee for American Indians was appointed last year. In September 1995, the Senate confirmed the appointment of the Special Trustee, who reports directly to the Secretary of the Interior. The Office of Special Trustee will oversee and coordinate trust fund management reforms. A comprehensive strategic plan for all phases of the trust management business cycle is required by the Act.

Action Items - The Special Trustee has identified initiatives or principles designed to rectify various problems and bring trust accounting and management systems up to commercial standards within 3 years. Subject to resource availability, systems will be acquired, automated, updated, integrated, coordinated, and/or consolidated. Systems under consideration include: a trust resource/asset management delivery system (including asset leasing, contracting, lending, buying, and selling); an accounts receivable and billing system; a trust, depository, payments and delivery system for IIM accounts; a land records and title recordation and certification system; a general ledger and accounting system; and a risk management and control system (to provide for audit and review). Also, various changes that would not require systems solutions (e.g., centralizing particular functions) are also under consideration.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

IV. FINANCIAL MANAGEMENT REPORTING AND GPRA

The Department is committed to preparing and publishing complete, concise, understandable, and meaningful information about the financial and operating performance of the Department and the individual bureaus, offices, and programs which comprise the Department. The CFO Act requires that agencies' trust funds, revolving funds, and substantial commercial activities be covered by audited financial statements. Interior believes that financial statements are important and has, since 1992, prepared and audited financial statements for all bureau financial activity. The Government Management Reform Act (GMRA) now requires agencies to prepare agency wide financial statements for FY 1996. The Department prepared a Consolidated Financial Statement for FY 1994 (unaudited) and FY 1995 (audited) in preparation for complying with GMRA requirements.

The CFO Act also requires the Departmental CFO "maintain an integrated accounting and financial management system, including reporting and internal controls, which ...provides for...the systematic measurement of performance." The passage of the GPRA necessitates that Federal agencies effectively plan, budget, execute, value, and account for resources appropriated to Federal programs. The Congress, the administration, and taxpayers want greater accountability in the management and operation of Federal programs. The GPRA is a driving force toward establishing a "performance-based infrastructure" within the Federal government. Interior is committed to taking the appropriate steps to comply with GPRA requirements, appropriately coordinated with effort to comply with CFO Act and GMRA requirements.

The strategies for improving financial reporting and supporting the implementation of GPRA are as follows:

Improving Financial Reporting

The Department's goals are to receive an unqualified audit opinion all bureau financial statements and the consolidated Department financial statements, to strengthen financial controls, and ensure that financial data produced for management decision-making is reliable, verifiable and consistent with the annual audited financial statements.

The Department's financial reporting strategy is to continue to have each bureau continue as a reporting entity for purpose of preparation of CFO Act financial reports. The preparation of the Department's consolidated financial statements will be based on the bureau level audited financial data. The Department believes that the long-term benefits of bureau-wide statements, including usefulness to users and verification of financial and cost accounting data used by management, are well worth the investment required. This approach has a number of important and definable benefits. First, it will assist in providing the financial information necessary to support the implementation of the GPRA. Second, the quality of financial information available to management will greatly increase as financial systems, accounts and information are scrutinized and refined. Third, the products produced will provide a clear and concise summary of the overall operations, accomplishments and concerns of each of the Department's operating components. Finally, long-standing operational problems have been highlighted by the financial statement process and subsequently corrected. Improvements to date



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

directly attributed to financial statement audits have covered areas such as inventory management and collection of accounts receivable by working capital funds.

Of the 12 FY 1995 bureau-level financial statements, 10 received unqualified audit opinions, indicating that the financial information presented was fairly stated in all material respects. The Office of the Inspector General expressed unqualified opinions on the FY 1995 financial statements of the following 10 bureaus: Fish and Wildlife Service, Bureau of Land Management, Minerals Management Service, U.S. Bureau of Mines, National Biological Service, National Park Service, Bureau of Reclamation, Office of Surface Mining, Office of the Secretary, and the Office of Territorial and International Affairs. The U.S. Geological Survey and the Bureau of Indian Affairs received qualified opinions. However, all bureaus continue to demonstrate significant progress in improving the quality of financial data and financial statement presentation.

In addition, the Department received a qualified opinion on the FY 1995 Consolidated Financial Statements. Thus, the Department has met the requirements of the GMRA for audited Department-wide financial statements **1 year in advance of the requirement**. This places the Department well ahead of many other Federal agencies.

Exhibit IV-1 presents a summary of the Department's accomplishments in the areas of financial statement preparation and audits.

Action Items - The Department intends to continue to improve the quality and timeliness of financial reporting and will con-

tinue to prepare annual financial statements for all reporting entities, including bureaus and the consolidated Department-wide financial reports. Further, the Department is committed to conducting annual audits of the financial statements of all reporting entities. The ultimate goal is to achieve unqualified opinions on all bureau financial statements as well as the consolidated financial statements.

In addition, OMB has been encouraging agencies to join a pilot effort to streamline reporting through consolidating various reporting requirements into an accountability report. The Department has evaluated its ability to prepare an Accountability Report, which will integrate the multiple financial management performance measurement requirements of the CFO Act, GPRA, GMRA, FMFIA, and NPR into a comprehensive process. The Accountability Report will encompass consolidated financial information, as well as a variety of other information which demonstrates the Department's stewardship over the assets, missions and responsibilities entrusted to it.

The Department has submitted a request to OMB to participate in the pilot Accountability Report program for FY1996. The Department's goal is to complete the Accountability Report for Fiscal Year 1996 by March 1, 1997.

Department of the Interior
 Financial Statement Audit Results
 1991 through 1995

	Fiscal Year 1991	Fiscal Year 1992	Fiscal Year 1993	Fiscal Year 1994	Fiscal Year 1995
Department Consolidated				(F/S prepared but not audited)	Qualified (Inventory) All Statements
Fish and Wildlife Service	(F/S prepared but not audited)	Qualified (Property) Balance Sheet	**Qualified (Property) All Statements	Qualified (Property) All Statements	Unqualified All Statements
Geological Survey	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Qualified (Inventory) All Statements
Bureau of Indian Affairs	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Qualified All Statements
Bureau of Land Mgt	Disclaimer	* Qualified (Property) All Statements	Qualified (Property) All Statements	Qualified (Property) All Statements	Unqualified All Statements
Minerals Management Service	Unqualified Balance Sheet	* Unqualified Balance Sheet	Unqualified All Statements	Unqualified All Statements	Unqualified All Statements
Bureau of Mines	(F/S prepared but not audited)	Unqualified Balance Sheet	** Unqualified All Statements	Unqualified All Statements	Unqualified All Statements
Nat'l Biological Service (established Nov 1993)				Unqualified All Statements	Unqualified All Statements
National Park Service	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Unqualified All Statements
Bureau of Reclamation	Qualified (Property) All Statements	* Qualified (Property) All Statements	Qualified (Property) All Statements	Unqualified All Statements	Unqualified All Statements
Office of Surface Mining Reclamation & Enforcement	Unqualified All Statements	* Unqualified Balance Sheet	Unqualified All Statements	Unqualified All Statements	Unqualified All Statements
Office of the Secretary	(F/S prepared but not audited)	Qualified (Property) Balance Sheet	Qualified (Prop & AR) Balance Sheet	Qualified (Prop & AR) All Statements	Unqualified All Statements
Office of Territories and International Affairs	(F/S prepared but not audited)	(F/S prepared but not audited)	Unqualified All Statements	Unqualified All Statements	Unqualified All Statements
* Audit performed in conjunction with fiscal year 1993 audit.					
** Audit performed in conjunction with fiscal year 1994 audit.					



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Government Performance and Results Act

The GPRA requires agencies to develop strategic plans, develop performance indicators, set performance goals, and measure performance against those goals. The Department supports the principles embodied in the GPRA, and has initiated several actions to create the performance management framework envisioned by the GPRA.

The Department and its bureaus are fully engaged in the process of developing strategic plans with performance goals and performance measures. Several ongoing pilot projects are developing appropriate performance indicators for related programs. The lessons learned by these pilots are facilitating the development of program performance measures throughout the Department. Initial steps have also been taken to integrate performance measurement into the annual budget process.

In February 1995, the Department established the Office of Planning and Performance Management to oversee the implementation of GPRA. In addition, this office coordinates the activities of the Strategic Planning Steering Group (SPSG), which is comprised of representatives from Departmental offices and each of the bureaus. Under the direction and guidance of the CFO and the Department's Policy Council, the SPSG has developed a "Strategic Direction" document which refines the mission and sets framework for the Department's strategic plan. The SPSG will continue to provide guidance and assistance to bureaus in developing program performance measures, and in preparing strategic plans.

Since January 1994, the Department has undertaken four pilot GPRA projects which have been approved and endorsed by OMB. They are:

- the Minerals Management Service Royalty Management Program,
- the Fish and Wildlife Service North American Waterfowl Management Plan,
- the Bureau of Indian Affairs Northwest Forest Plan, and
- the U. S. Geological Survey National Water Quality Assessment Program.

These four GPRA pilot programs represent a microcosm of the Department's programs, and were selected to provide a sound base of experience to improve the Department's ability to meet the GPRA requirements for FY 1997 and beyond.

The Royalty Management Program pilot has been very successful. Minerals Management Service employees developed a series of program performance measures, a "compliance index", which directly measures actual performance against the stated program goals of ensuring that revenues due are paid accurately, voluntarily, and on-time. In retrospect, the factors contributing to the success of this pilot were:

- a focused program mission;



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

- outcomes which could be measured and expressed in monetary terms; and
- the ability to develop a set of performance measures which relate directly to the outcome measures.

The other pilots are making progress toward developing performance indicators for ecosystem program areas. These pilots involve water quality, wildlife management, and timber resource improvement projects with outcomes that will take years to effect. With such programs, it is difficult to relate the results of specific expenditures at a given point in time to a particular outcome. Further, due to the long duration of projects in these programs, factors other than direct resource expenditures influence program outcomes (i.e., uncontrollable factors like floods, drought, erosion, predators, disease, etc.). Our experience has demonstrated that the ability to accurately relate resource expenditures to specific program outcomes involving ecosystem improvements is, and will likely continue to be, very limited.

Action Items - The first deadlines established by the GPRA are approaching. By September 1997, the Department will submit its Strategic Plan to the Congress. In addition, the Performance Plan for FY 1997 will be submitted with the budget.

To support the development and implementation of performance measurement and reporting under GPRA, the Department plans to include information on the performance plans in the pilot Accountability Report to demonstrate the integration of financial and operating performance information into a single coherent document.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

V. MANAGEMENT ACCOUNTABILITY AND CONTROL

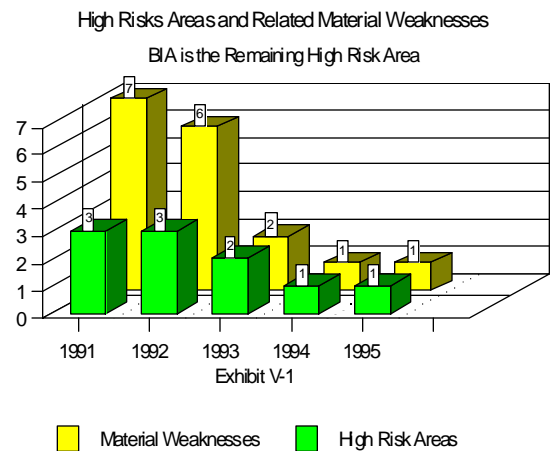
Maintaining integrity and accountability in programs and operations requires sound management control and audit follow-up programs to build public trust and confidence in the way the Department carries out its mission. Management control and audit follow-up activities in the Department are guided by 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),

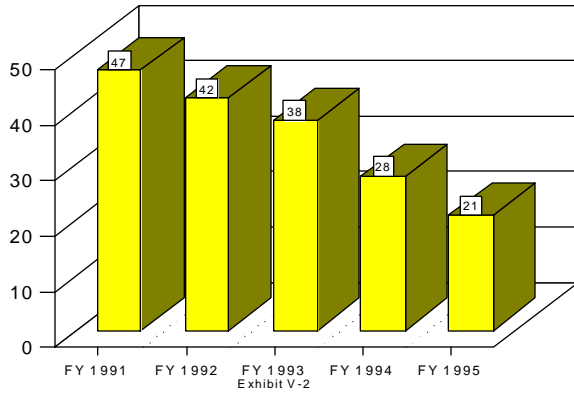


- reducing the number of pending (uncorrected) material weaknesses by 55 percent since 1991 (See Exhibit V-2),
- reducing the number of pending (uncorrected) material accounting system non-conformances by 55 percent since 1991 (See Exhibit V-3),



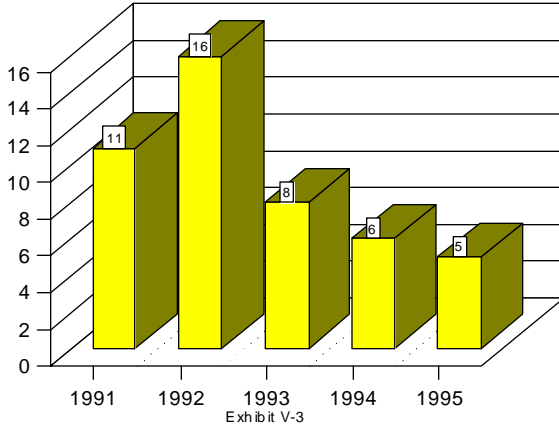
FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

TOTAL UNCORRECTED MATERIAL WEAKNESSES



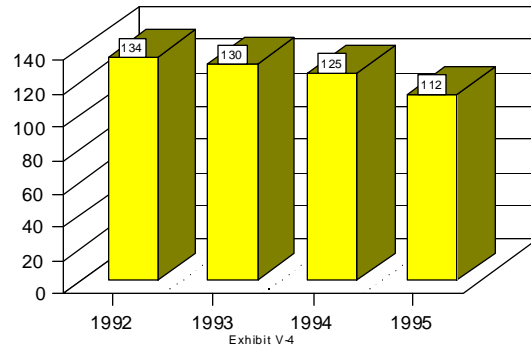
- improving the Department's record of timely implementation of GAO and OIG audit report recommendations and closing audits, collecting and offsetting disallowed costs, and reducing the number of disputed recommendations between management and the OIG referred to the Department for resolution, (see Exhibits V-4 and V-5),

TOTAL UNCORRECTED ACCOUNTING SYSTEM NON-CONFORMANCE

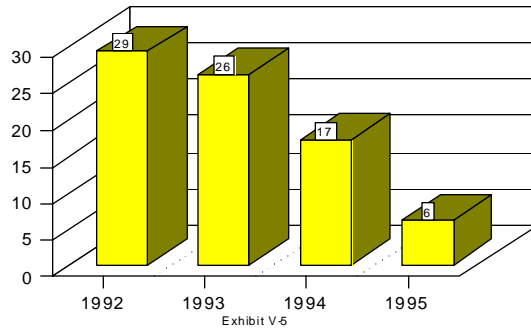


- developing and implementing a Management Control Project Management Training Program to assist managers in the development and monitoring and timely completion of material weakness corrective action plans,

REDUCTION IN AUDITS IN TRACKING
At End of the Last 4 Years



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





FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

- 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-intensive 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.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

• 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



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

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 assessment results to statutory objectives and requirements. This report should give senior managers greater confidence in reporting and attesting to conclusions 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.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

VI. MODERNIZING PAYMENT AND BUSINESS PRACTICES

The Department has established a sound program to modernize payments and business practices in asset and debt management. Even with our past successes, we remain committed to continually improving these programs by streamlining processes, eliminating outmoded processes, and modernizing essential processes using state-of-the-art technology to yield maximum benefits to the American Taxpayer.

The basic elements of this program area include:

- developing policies and guidance for asset and debt management throughout the Department's eleven bureaus,
- identifying high payoff areas to establish priorities for streamlining processes and upgrading technology,
- providing assistance to bureaus in developing specific tasks/requirements to achieve desired results for identified high payoff areas,
- measuring the performance of established initiatives, and

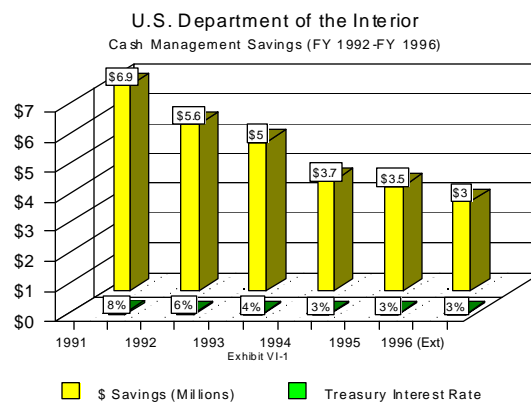
working with Treasury and the other central agencies to modernize payment and business practices; improve management of receivables; and develop long term strategies for continuous process and systems modernization.

Improving Cash Management

Due to the Department's substantial revenue-producing activities, initial efforts focused on cash receipts. The key emphasis of the Department's cash management program has been on accelerating cash

receipts by requiring payments in the form of wire transfers. In addition to using wire transfers, the Department worked cooperatively with Treasury to establish several lockbox systems to collect timber fees, abandoned mine land fees, water sale receipts, construction cost repayments, and state and local government reimbursements. In FY 1995, the Department collected approximately \$5.2 billion, of which approximately \$4.6 billion (81 percent) was collected using accelerated cash management methods.

Cash Management Savings of \$71 million have accumulated from 1983 projected through the end of FY 1996 by using new cash management techniques. Since 1991, the Department has saved approximately \$27.7 million. Exhibit VI- I displays savings by year.



The Department continues to emphasize efforts to minimize the use of Federal funds to finance operational transactions by reducing the need for advance payments. To illustrate:

- Travel charge cards have been issued to approximately 40,000 Department employees. In the last 9 years, the charge card program, including a concerted effort to use automated teller machines



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

(ATMs) for travel advances, has enabled the Department to decrease outstanding travel advance balances by 67 percent, even though total travel related expenses have generally increased. From 1992 estimated through the end of 1996, outstanding travel advances will have decreased from \$5.7 million to an estimated \$1.7 million.

- Electronic funds transfer processes were used for 99 percent of the Department's \$1.5 billion in grant payments in FY 1995.
- Direct Deposit/Electronic Funds Transfer (DD/EFT) for employee salary payments reached a participation level of 85 percent as of March 31, 1996.

The VISA Bankcard Program (IMPAC) was used for 14 percent of the Department's small purchases in FY 1995 and is expected to be used for 25 percent of small purchases in FY 1996.

Action Items - Initiatives planned for improving cash management are:

- (a) implementing the EFT payment requirements of the Debt Collection Improvement Act (DCIA) of 1996,
- (b) implementing an automated interface between the Rocky Mountain bank Card (RMBC) and FFS for small purchase credit card data from the contractor to minimize data entry, improve payment processing, and promote increased card usage,
- (c) increasing ATM usage for issuing travel advances,

(d) implementing an automated interface between the AMEX, Travel Management Center (TMC) and FFS to minimize data entry and improve payment processing, and

(e) standardizing and streamlining payment certification processes within the Department to take advantage of statistical sampling methods and postpayment voucher audit.

Improving Debt Management

The Department continues to make progress in its collection and debt management activities. Over 80 percent of the Department's debt originates from the enforcement of laws and regulations and audits (not from loans or the sale of goods and services). Consequently, traditional safeguards, such as credit worthiness checks, are often not applicable. However, it is important to note that approximately one-third of the Department's delinquent debt is covered by letter of credit, bond, or other surety. In FY 1995, the Department conducted a review on streamlining the debt collection process. The review determined that the Department should refer its seriously delinquent debt directly to the Department of Justice's National Central Intake Facility to improve debt collection/resolution. The streamlined process eliminates the need to refer the debt to the Department's Office of the Solicitor. Thus, the Department will be able to better use already scarce Solicitor's Office resources and actually improve overall debt collection and resolution. With the advent of the DCIA of 1996, the Department will work closely with the U.S. Treasury to transfer its delinquent debt over 180 days past due in accordance with the DCIA and utilize current and new debt offset mechanisms to further improve collections.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Action Items - The Department will pursue implementation of the requirements of the DCIA. Efforts will include:

(a) improving the processes associated with collecting employee debts, and

(b) implementing the requirement of the DCIA to transfer delinquent debt over 180 days past due to the Treasury.

Improving the Travel Processes

In February 1996, the Department's CFO chartered a Departmentwide Travel Re-engineering Lab to streamline the Department's travel processes; to improve the levels of service provided to travelers; to reduce the direct and indirect costs of the Department's travel program; to substantially reduce the number of Travel Management Centers used by the Department; and to improve accountability.

The Travel Lab used a systematic approach to focus on the five major components of the travel process: authorization, obligation/funds control, arrangement of travel services, voucher preparation, and payment/reconciliation. In reviewing each of the 5 components of the travel process, the Travel Lab members considered: **why** the steps were being performed; whether they **added value**; whether the steps could be **streamlined** or **eliminated**; and whether **someone else** could perform the functions more efficiently. The team reviewed the travel reinvention efforts of other Federal agencies; examined the "Best in Class" practices" of three industry leaders in the private sector; conducted a DOI customer survey (which included over 5,000 responses from DOI employees); and considered a range of alternatives in preparing recommendations.

The DOI Travel Lab is expected to complete its Report Findings and Recommendations in September 1996. Implementation of the Travel Lab recommendations will begin in early FY 1997.

Action Items - To implement the recommendations of the Travel Lab, the Department will direct its efforts toward 3 major initiatives during FY 1997 :

(a) Travel Process Improvements- A Departmentwide Travel Process Implementation Team (comprised of all bureaus and representative functions) will be created and tasked with the responsibility of carrying out the travel process changes identified by the Travel Lab. During FY 1997, the Finance Officers Partnership will work with the Travel Process Implementation Team to efficiently and effectively coordinate travel process changes which impact bureau finance and accounting operations.

(b) Consolidated Travel Management Center (TMC) Initiative- During FY 1997, the Department plans to award a contract to consolidate its existing structure of 140 Travel Management Centers. The Department expects substantial benefits to be realized through standardized billing and reconciliation procedures.

(c) Travel System Improvement Efforts In cooperation with the Department's Administrative Systems Group, a Travel System Improvement Team (comprised of all bureaus and representative functions) will be established in FY 1997 to identify user requirements for an integrated travel sys-



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

tem, and to pilot test several applications using the Department's newly acquired electronic forms software package. The Finance Officer Partnership will participate on the Travel System Improvement Team to ensure that the needs of finance and accounting operations are explicitly considered in the travel system design effort. Particular emphasis will be placed on developing automated interfaces between the travel system and the accounting system.

Improving Property Management

The Interior NPR Team recommended the establishment of a Departmental electronic bulletin board for identification of excess personal property. The Bureau of Land Management (BLM) is serving as the lead bureau. The electronic bulletin board, as a part of the automated personal property reutilization and disposal system, has enabled the Department to screen available excess personal property for reuse.

The Department is using the government-wide real property management system developed by GSA. The system supports the life cycle of the property from acquisition to transfer or disposal. Moreover, the system stores data on improvements, income, expenses, usage, and general rent and lease management information. BLM is pursuing the establishment of an electronic reconciliation of the real property records with the bureau's SGL.

In FY 1993, the Department initiated a pilot project involving the use of a contractor to audit transportation invoices before payment. This project has been very successful producing significant savings (nearly \$20 saved by the Department for each \$1 paid to the contractor).

We performed an analysis of this program on how to further increase savings. We found that not all government bills of lading (GBL) were being submitted to the contractor, which we will address in our future plans. Moreover, GSA issued new GBL preaudit contracts in April 1996. The Department worked with the current participating bureaus to effect an orderly transfer to the new contractors. The successful transfer took place in July 1996.

Action Items - The Department will address property, plant and equipment (PP&E) policy issues such as, fixed asset valuation (includes amortization, depreciation, and obsolescence); internal controls; and periodic physical inventories/verifications in accordance with the PP&E and Cost Accounting standards of the FASAB.

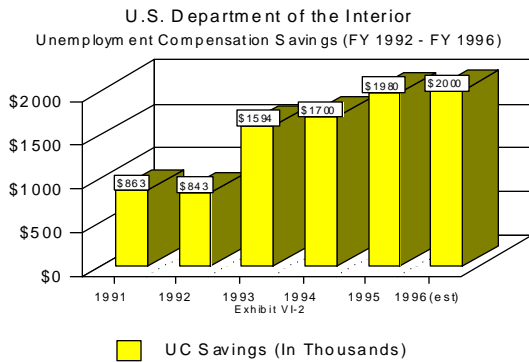
Managing Unemployment Compensation Costs

The Department's efforts to control unemployment compensation costs continues to pay substantial dividends. Since January 1, 1986, the Department has used a contractor to: (1) verify employment, (2) process protests and appeals, (3) verify State data, and (4) produce management reports. As shown in Exhibit VI-2, projected cumulative program savings as of September 30, 1996, are expected to be just under \$9 million

Action Item - Due to the very high savings of this initiative, the Department will continue using the present outsourcing arrangement while searching for any further improvement potential.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN



Improving Electronic Communication

PFM has embraced the Internet as an efficient and cost-effective means to electronically publish and disseminate critical financial management information to customers.

In March, 1996, PFM introduced its World Wide Web Home Page on the Internet. The development of the Home Page and use of the Internet represents one of PFM's efforts to use information technology to streamline financial services. Although PFM's Web site is relatively new, a substantial amount of financial management information has been posted to it. As of August 1996, the following information is available to internal and external customers:

- PFM Organization and Directory,
- Departmental Accounting Manual,
- DOI 1994 Annual Report (Prototype),
- Financial Administration Memorandums,
- Financial Management Training Courses and Events,
- Finance Officers' Partnership 1995 Annual Report,
- Secretary's Semi-Annual Report on

Audit Follow-up, and

- Links to Other Financial Management Web Sites.

Action Items - During FY 1997, the Office of Financial Management plans to post additional financial management information to its Home Page. Planned additions include:

- DOI 1995 Annual Report
- DOI 1996 Annual Report
- DOI 1995 Accountability Report (Prototype)
- DOI 1996 Five-Year Financial Status Report

PFM also plans to enhance its Web site by using advanced Hypertext Transfer Protocol (HTTP) standards to facilitate communication with customers. This will **include** comment and survey forms to allow customers to provide electronic feedback to PFM.

In addition, the Department plans to expand the use of advanced technology (LANS and WANS) to reduce/eliminate paper driven inputs/outputs for communications, policy issuances, and reports. This effort includes the development of an executive information system (EIS) to extract data from bureau systems to produce accurate and timely Departmentwide financial and program performance reports, and obtaining access to the Federal Register, Congressional Record, and other information resources via Internet.

Monitoring Cost Recovery/User Charges and Cost Accounting

The Department operates a substantial user charge



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

program. Annually, the Department collects fees of approximately \$350 million from over 100 cost recovery activities and approximately \$5 billion from other fee activities including royalties, rents, and bonuses mostly related to minerals, timber, and other uses of Federal lands. The Department maintains a data base of all user charge activities (both receipts and offsetting collections) for some 250 identified activities (includes cost recovery activities). The data base includes descriptions of the activities, estimated annual collections, pricing structure, legal authority, contact personnel, and other pertinent information.

Action Item - The Department will continue to monitor cost recovery on an annual basis to identify areas not recovering full costs. In accordance with the CFO Act, the Department will conduct biennial reviews of all user charge activities (i.e., rents, royalties, permits, etc. in addition to cost recovery activities) and maintain a data base of these activities. The next biennial review will be performed for FY 1997 user charge activities. Moreover, the Department is participating in collaborative efforts both inter- and intra-departmental. These activities include the Cost Accounting Work Group of the CFO Council and the DOI Administrative Services Advisory Board.

Improving Prompt Payment Act Compliance

The Department is continuing the effort to improve compliance with the Prompt Payment Act with particular emphasis on enhancing bureau quality control programs. Improvement in quality control coupled with the general government shutdown during the FY 1996 budget hiatus, resulted in a higher incidence of late payments and interest

penalties which will be addressed in our future plans.

Action Item - The Department will perform analyses of selected asset management areas to identify ways to further streamline and improve processes. This includes reducing Prompt Payment Act interest penalties, increasing electronic fund transfer payments (in accordance with DCIA), and implementing the new Treasury FedSelect Checks.

Improving Permanent Change of Station (PCS) Processes

The Department plans to streamline PCS and related processes in accordance with the recommendations of the Relocation/PCS Travel Lab and incorporate an equitable way to reduce the number of relocations while providing displaced employees with access to job vacancies outside of their current commuting area.

Action Items - PFM will work toward streamlining the processing of PCS travel authorizations and vouchers (resulting in a reduction of processing time and cost), improving customer service to the employees, and reducing overall PCS moves within the Department.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

VII. FINANCIAL DATA STEWARDSHIP

Data stewardship is the process of managing information necessary to support program and financial managers, and assuring data captured and reported is accurate, accessible, timely, and usable for decision-making and activity monitoring. The objective of data stewardship policy is to address data collection synchronization, reduced data redundancy, data accessibility, data availability, and data 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.

Establishing a Data Stewardship Function

The Department has developed a data stewardship function by assigning one individual within the PFM to focus on data stewardship functions. That person manages the Department-wide data definition process, monitors data creation and capture compliance processes, ensures data usage relies on information derived from data consistent with intended definition and that adjustments are made to data definitions when data are inadequate to meet user needs. This function also assists in coordinating Departmental relations with the Financial Management Service's SGL Board, and the OMB related to financial data definitions. In 1996, the SGL Board recommended, and the Department ratified, the addition of approximately 50 accounts to the SGL Chart of Accounts to accommodate

accounting and reporting requirements for the new Report on Budget Execution (SF-133). The Department relies on audit work performed by the Office of Inspector General and management control reviews for attestation of the integrity of information within the systems.

Action Item - The Department will look to expand the focus of the current data stewardship function beyond the financial data to support overall performance reporting. Over the next 3 years as GPRA requirements become formalized, the Department will address the issue of how the reporting process will work together to support performance reporting and the preparation of the accountability report, and how the information technology and user communities need to coordinate efforts to standardize data requirements.

Enhancing Data Integrity Throughout the Department

The FOP chartered the SACAT to establish and maintain a common approach among the bureaus for addressing SGL issues involving accounting policy and procedures, reporting requirements, internal controls, and SGL maintenance. In 1996, the PFM representative reviewed and analyzed inter-bureau accounting transactions and formulated elimination entries for the Department's FY 1995 consolidated financial statements.

The PFM representative on the SACAT serves as a liaison between the Department of the Treasury's SGL Board and the Team. This provides a conduit for feedback from the bureaus to Treasury on government-wide issues that impact the



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Department's SGL.

The SACAT works closely with the Decision Support System/Executive Information System (DSS/EIS) Team to ensure pertinent information is delivered to executives for decision making. In addition, the SACAT enhances consistent reporting under the CFO Act and GPRA.

Action Items - The Data Stewardship plan to improve data integrity will focus on the following over the next 5 years: coordinate, on a Department-wide basis, critical definitions for financial data necessary for reporting to OMB, the Department of the Treasury, and for Department-wide decision making and management. This effort will work through the newly formed SACAT, develop a single chart of accounts for all bureaus, establish feedback procedures on data definition, and usage to identify and resolve data definition issues relating to bureau, Department, or Federal government user requirements, and develop a data integrity management control review.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

VIII. FINANCIAL MANAGEMENT HUMAN RESOURCES

In view of the changing demands on financial management personnel as a result of the CFO Act, GPRA, GMRA, and organizational rightsizing, it is imperative that personnel responsible for the administration of the Department's financial resources be continuously upgrading their skills so they can meet the challenges imposed by internal and external forces. To assist the Department financial management personnel in achieving the skills needed to operate in a changing environment, the Department is committed to developing and maintaining a cadre of highly skilled financial management personnel. To that end, and to ensure a strong and effective financial management program, the Department's CFO Council established a subcommittee to determine the financial management training needs of Interior's workforce, and to provide guidance to the Director of the Financial Management Training and Development Program in developing an overall training and development plan for the Department.

Expand the Financial Management Training and Development Program

The Department has developed a training and development program for financial management employees by assigning an individual within PFM to focus on the training functions. An advisory board has been established under Department's CFO Council to oversee the financial management training program. With the guidance of the Board, this individual schedules financial management training, locates and reserves training sites, identifies instructors and on-the-job training experiences, tracks and records participants training, reviews and maintains participants' IDPs, prepares and distributes

training certificates, and monitors and responds to program evaluation and feedback. This individual also assists in coordinating Departmental relations with the Government-wide CFO Council for Human Resources, JFMIP, AGA, Training Officers Conference, American Association for Training and Development, and professional organizations related to financial management. In FY 1996, the Department accomplished the following:

- The Financial Management Training and Development Plan was approved by the Departmental CFO Council and the CFO for Department-wide implementation.
- The Financial Management Training and Development Program, in conjunction with the Washington and Denver Learning Centers, sponsored training in FY1996 as follows:
 - Fundamentals of Accounting
 - Managerial Cost Accounting
 - SF-133 GOALS Training
 - Financial Statement Preparation
 - Budgetary Policy and Processes
 - Performance Based Budgeting GPRA
 - Performance Measurement: Financial and Program Evaluation-GPRA
 - Appropriated Fund Law
 - SES Forum
 - Myers-Briggs Type Indicator
- Developed a core curriculum and training program that leads to certification by the Department CFO.
- Developed a formal on-the-job training program



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

and related certification.

- Developed a recording and tracking system that identifies the training received by financial management personnel enrolled in the program.

Action Items - The Department will look to expand the training and development program over the next 5 years by aggressively publicizing program opportunities and encouraging employees to avail themselves of program opportunities.

The Department, through the program, will also continue to prepare financial management employees for current and future challenges in financial management. To assist in that effort, the Department will offer an array of training in FY 1997 in accounting, governmental accounting, budgeting, financial analysis, team building, and problem solving techniques.

Depending on the availability of adequate and appropriate funding, the Department will:

- (a) Develop an activity specific curriculum and training that meets the needs of the Department and its bureaus. Projected completion date FY 2000.
- (b) Develop a core curriculum for technical and clerical personnel within financial management. Projected completion date FY 1999.
- (c) Develop financial management training for non-financial managers. Projected completion date FY 1999.



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

IX. FRANCHISING

The Department provides centralized services to Interior clients and clients outside the Department through three service centers: the Denver Administrative Service Center (DASC) operated by the Bureau of Reclamation, the Washington Administrative Service Center (WASC) operated by the U.S. Geological Survey, and the Interior Service Center (ISC) operated by the Office of the Secretary. Today, the demand for, and interest in, cross-servicing is increasing in conjunction with streamlining, reinvention, and other NPR initiatives. These service centers maintain a unique competitive position and exercise leadership in providing cost effective services to Interior and non-Interior clients. These organizations have become proven alternatives for agencies that wish to reduce costs associated with administrative systems and support services, achieve economies-of-scale, and produce operating efficiencies.

Currently, the Department's Denver and Washington Administrative Service Centers and the Interior Service Center provide a variety of administrative systems and support services on a reimbursable basis under the Economy Act. These organizations operate in an entrepreneurial environment, cross-servicing bureaus and other agencies through interagency agreements. Their mission is to provide cost effective, high quality administrative systems and support services that are responsive to customer needs. Today, these organizations provide administrative systems and support services to over 80 customers in the following areas:

- Personnel, payroll, procurement, and financial management systems and operations,
- Support services, such as general purpose

mainframe computer timesharing, computer-based training products, and electronic commerce, and

- Aircraft services in business systems and services, aircraft acquisitions, technical assistance, and aviation safety.

Interior has been selected to establish a Franchise Fund Pilot Program under the provisions of the Government Management Reform Act (GMRA) of 1994. Appropriation language was submitted to Congress as part of the FY 1997 budget to establish the Franchise Fund Pilot Program and is currently under consideration by Congress as part of the FY 1997 appropriation process.

To assist in managing these organizations and coordinating the efforts of the Service Centers, the Department has established an Administrative Service Advisory Board to provide executive management leadership and guidance to Interior service providers who offer administrative services on a fee-for-service or reimbursable basis, and to provide departmental strategic planning direction for administrative services. The Board provides advice and recommendations to the Assistant Secretary - Policy, Management and Budget (PMB), service providers and their respective lead agencies. The Advisory Board began meeting in April 1996, and is currently developing its agenda for FY 1997. The agenda will likely include recommended policies on which services should be procured competitively, determining how to begin measuring performance of the Service Centers, and how to coordinate and manage joint initiatives.

Denver Administrative Service Center

The DASC is an established provider of a wide range of administrative systems and services to



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

the Department, as well as numerous other Federal agencies. The DASC operates in an entrepreneurial environment whereby customer service and quality, cost competitive products are key. The DASC's success has been built on the fundamental, underlying principle of providing "value added" and cost savings to clients, the Federal Government, and the American taxpayer. The DASC operates within a Working Capital Fund (WCF) on a fully reimbursable, cost competitive basis.

Products and services provided by the DASC are primarily in the areas of payroll and personnel, accounting, automated systems, quarters management, and training. The PAY/PERS System continues to provide payroll and personnel support to all of the Department, as well as, many other Federal agencies. The new Federal Personnel Payroll System (FPPS), which will replace the PAY/PERS System, is nearing development completion and will be implemented in the first quarter of FY 1997. FPPS will provide clients with a modern, online data base management system that fully integrates payroll/personnel activities. Accounting services are provided to the Department and other Federal agencies through the Federal Financial System (FFS). These services include accounting system and technical support, as well as accounting operations including administrative payments. Additional services provided by the DASC include computer timesharing, rental rate setting for government quarters, and training.

The DASC continues to experience steady consistent growth in both programs and clients. New client interest in DASC systems and services is at an all time high. Recent commitments from new clients in payroll/personnel services will

double the existing service base. DASC accounting services, especially administrative payments, has expanded dramatically. As a result of this solid growth as a cross-servicing provider of administrative systems and services, substantial economies of scale are now significantly benefitting not only new clients, but the Department and other existing clients as well.

Washington Administrative Service Center

The WASC is currently providing services related to the: FFS; Fixed Assets and Inventory Subsystems; IDEAS; Procurement Data Reporting System; Automated Vacancy Announcement System; Electronic Commerce; Electronic Time and Attendance System; Mainframe Time Sharing; World Wide Web Publishing; and Accounting Operations including consulting type accounting services such as operational reviews, requirement analysis, Treasury reporting, training, and quality assurance. Interior customers will continue to be cross-serviced through the WCF.

The WASC is currently working on several new products and enhancements. These include, the development of a Windows-based version of IDEAS, including an interface between IDEAS and FFS. The interface will enable users to pass commitments, obligations and receiving reports from IDEAS to FFS. In addition, the WASC is working on partnering with American Management Systems (AMS) on development of its new Program Office Desktop product (POD). The POD is a state of the art client/server application using the latest technologies including object-oriented design and development technologies. Also in development are Hyperion Enterprise EIS/DSS software that provides senior management with visual information access to summary level



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

management data and information from selected transaction based systems, and Flashpoint - a desktop integration package developed by Sterling Software that provides solutions to the most serious user access problems associated with legacy systems, such as FFS, and reduces the time needed to learn and use FFS while providing a method to easily extract information from FFS. Flashpoint allows FFS to operate in a friendly “GUI” environment.

Interior Service Center

The ISC is providing a wide range of administrative and operations services through the Office of the Secretary’s WCF to bureaus and offices, as well as other Federal agencies. The ISC delivers cost-effective products and services that meet customers’ service and quality demands. Its goal is to be an excellent entrepreneurial service provider. The ISC operates on a fully reimbursable, cost competitive basis. Products and services provided by the ISC fall into two primary areas: aviation services offered by the Office of Aircraft Services (OAS) headquartered in Boise, ID., and support services that match many of the normal operational support needed by a programmatic unit or agency, provided from the ISC’s Washington, DC base.

Operational support services and products fall into 5 broad categories. The ISC provides accounting, payable and receivable transactions, acquisitions, as well as management of shipments and household moves. In communications and information services, the ISC supports clients with an excellent graphics shop, print and copier services, mail and locator services, document management and computer and telecommunications services. The ISC provides space planning, management and leasing, alterations, and facilities management and maintenance. The ISC have a range of specialized employee services

including occupational health nurses who provide workers compensation case management; reviewers to establish qualification for special law enforcement and fire retirement, adjudicate security clearances, and assure compliance with ethics forms filing; and contracts for drug testing that are available to and used by over 60 agencies. The ISC provides training and development services through 4 learning centers, including consultation on training needs and use, alternatives to training, program design, and a thriving, hands-on re-engineering training practice.

Aviation services is an area of special expertise within the ISC. The OAS provides technical expertise, training, acquisition, and aviation program and safety management to eight bureaus within Interior and a number of other agencies and cooperators. OAS can operate the aviation program for a client, or establish an in-house program for a client, or create a mix of both. Over 85 percent of all aviation managed by OAS is contracted with private sector firms. OAS has unique expertise in very specialized flying missions, particularly those that require small planes, flying in remote areas, search and rescue in difficult terrains, or flying to achieve environmental objectives and land management. OAS has good working relationships with the aviation industry and with other Federal agencies active in aviation oversight.

Franchise Fund

The Department submitted an application to OMB for consideration as a Franchise Fund Pilot Program established by the GMRA. The plan was approved by OMB and the Department received its designation as a franchise pilot on May 17,



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

1996. The Department franchise activities will, at the present, be primarily centered in the WASC for providing non-Interior client with selected services through the Departmental Franchise Fund. However, selected services provided by the DASC and ISC are expected to be included in the pilot during FY 1997.

The Department proposes to implement the Franchise Fund Pilot Program under the leadership of its Deputy Chief Financial Officer. There will also be a Franchise Board consisting of Departmental Service providers and customers which will provide overall guidance in franchise operations.

The Department's goal is to offer a full range of administrative systems and support services for non-Interior clients that desire high quality and cost effective support. Criteria in selecting franchise services to be offered include the requirement that they: add value to our customers; reduce costs; and, be capable of being performed on a competitive basis. The Department will evaluate potential franchise services against these criteria: considering the unit cost of the product or service; the potential of the service becoming self-sustaining at a competitive level; the ease with which the service can be implemented and operated; the relative value of the service to customers and the government; and, the degree of support within the Department and the government for the franchise service. These qualifying criteria will be applied consistently to ensure quality services are offered, and that any new services are appropriate.

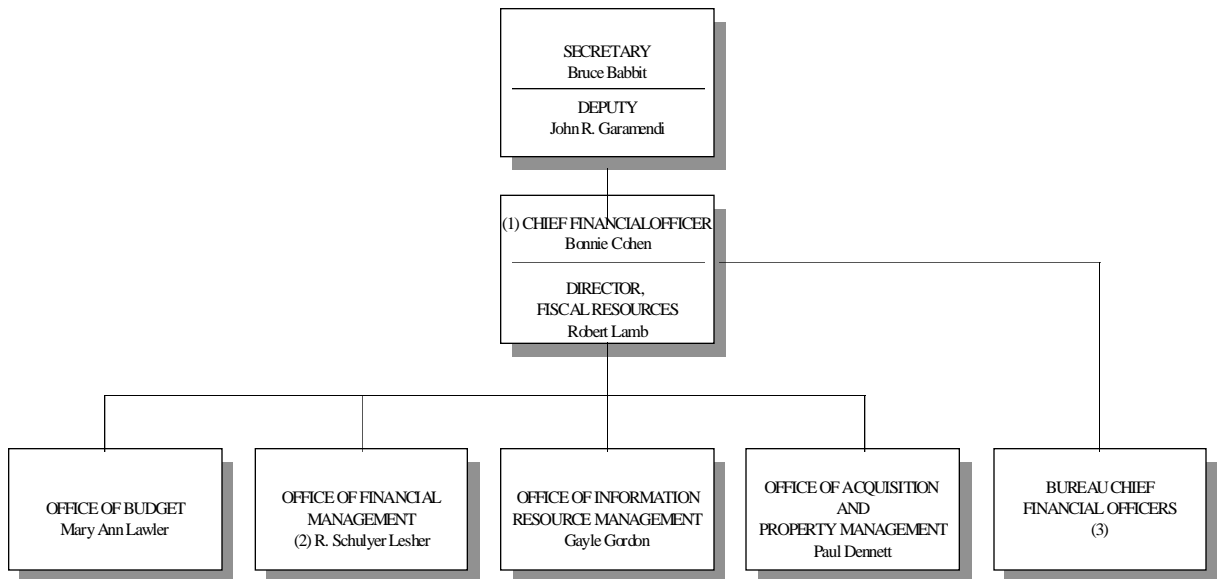
The proposed franchising services will build on the foundation of cross-servicing currently performed in the administrative systems and

support services areas. Customer-focused attention on agency requirements would make it possible to extend a variety of franchise services and products to new customers at attractive prices. The plan would allow customers to choose from a wide range of administrative and general support services. Where appropriate, existing customer bases and services would be incorporated into the franchise pilot program. Franchise services would be offered to customers on a competitive and voluntary basis. The list of franchise services would grow as new markets and targets of opportunity present themselves.

The WASC is identifying potential franchise customers and developing proposals for cross-servicing with several new clients. They are finalizing a customer service level agreement which, along with the reimbursable agreement, will provide the customer quality level assurances and guarantees if that quality is not achieved. The WASC is also working on a Marketing Strategy for the future, mapping out our future directions and better marketing procedures to enable us to get there.

The Department is committed to work with both OMB and the Department's Congressional committees to ensure the development of a high quality pilot program for franchise services.

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



- (1) Assistant Secretary - Policy, Management, and Budget and Chief Financial Officer
- (2) Director of Financial Management and Deputy Chief Financial Officer
- (3) Assistant/Associate Director - Finance & Administration

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

ORGANIZATION

Chief Financial Officers and Deputy Chief Financial Officers

Bonnie R. Cohen, Chief Financial Officer, DOI	James C. Leupold, Chief Financial Officer, NBS
Robert J. Lamb, Director of Fiscal Resources	Lawrence Ferris, Deputy Chief Financial Officer, NBS
R. Schuyler Leshner, Deputy Chief Financial Officer, DOI	Mary Bradford, Chief Financial Officer, FNP
Jay Gerst, Chief Financial Officer, FWS	Bruce Sheaffer, Deputy Chief Financial Officer, FNP
Paul Henne, Deputy Chief Financial Officer, FWS	Robert Wolf, Acting Chief Financial Officer, BOR
Barbara Ryan, Chief Financial Officer, USGS	Kathy Gordon, Deputy Chief Financial Officer, BOR
Marty Eckes, Acting Deputy Chief Financial Officer, USGS	Ed Kay, Chief Financial Officer, OSM
Nina Hatfield, Chief Financial Officer, BLM	Bob Ewing, Acting Deputy Chief Financial Officer, OSM
Roy Morris, Deputy Chief Financial Officer, BLM	JoAnn Hagen, Acting Chief Financial Officer, OSM
Carolita Kallaur, Chief Financial Officer, MMS	Stan Dunn, DASC
Delbert Matheson, Deputy Chief Financial Officer, MMS	Bill Kramer, DASC
Hilda Manual, Chief Financial Officer, BIA	Dick Comerford, WASC
Esther Metrinko, Acting Deputy Chief Financial Officer, OS	Dennis Sykes, WACS
Bing Topper, Acting Deputy Chief Financial Officer, OS	
James McDivitt, Acting Deputy Chief Official Officer, BIA	

FINANCE OFFICERS PARTNERSHIP ROSTER

Member	Coordinator	Organization
Gordon Babby	Gordon Babby	BIA
Roy Morris	Gary Slimak	BLM
Efraim Escalante	Sandi Inglefield	BOR
Dave Holland	Art Ford	FWS
George Keller	Marilou Barros	MMS
Jon Shrum	John Madagin	NPS
Esther Metrinko	VACANT	OS
JoAnn Hagan	Bill Anderson	OSM
R. Schuyler Leshner	Clarence Smith	PFM
Tim Calkins	Karen Baker	USGS

**U. S. DEPARTMENT OF THE INTERIOR
BEST PRACTICES PROJECT**

In response to the National Performance Review (NPR) Team recommendation that all Department of the Interior (DOI) administrative activities be reviewed for possible streamlining, the Assistant Secretary for Policy, Management and Budget and the Departmental CFO in November 1993 initiated a comprehensive review of the financial component of the Department's administrative activities. This systematic and unprecedented initiative to document 102 accounting processes was carried out under a project called "Financial Management Best Practices."

The Best Practices Project was structured to identify those financial management policies, practices, processes, and procedures which could be standardized, improved, or eliminated and thereby produce savings and/or increase efficiency. The opportunities for improvement were expected to arise from additional automation, greater standardization of processes, procedures, and systems, possible functional consolidations, and activities such as business process re-engineering. The objective of the project was to obtain cost and FTE savings of at least 20 percent for each of the DOI Finance Offices.

Seven bureaus provided staff to the project. The U.S. Geological Survey's WASC led the project team. Project oversight was provided by PFM, and the project included the participation of several outside consultants. Further, to assure that the team had access to the best experience of the corporate world, the Private Sector Council (PSC) provided three senior executives who served in an important advisory capacity throughout the project.

The project team identified 102 accounting processes in 19 major functional areas as candidates for business process re-engineering. For each process, data elements were identified including information on workload volumes, detailed workflow steps, level of contractual support, degree of computer utilization costs, FTE information, and observed opportunities for improvement. Each bureau identified best practices. Program managers were surveyed to acquire and maintain a customer service perspective in this effort. Input from the program managers identified the services and functions which they considered most important and which required the most improvement. During the project, 39 bureau program managers provided customer input.

In order to reinvent the Financial Program, new working relationships had to be forged. At a conference held in Hershey, Pennsylvania on June 9 and 10, 1994, Interior's CFOs, Deputy CFOs, Finance Officers, and three members of the Private Sector Council established this new working relationship. To implement change rapidly under the new relationship, the CFOs chartered the FOP. The FOP is a self-directed management team, made up of bureau Finance Officers and a representative from PFM. Other FOP (non-voting) participants include a Senior Systems Analyst from OMB, and a representative from each of the ASCs. The FOP is provided functional support by the Software Advisory Board (SAB) and SACAT.

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

In accordance with the NPR guidelines for a quality improvement program, the FOP prioritized 67 recommendations that were made during the Hershey conference. The FOP then identified 15 projects for immediate action. The criteria used to prioritize the recommendations were: (1) projects that would yield the greatest reduction in FTEs and cost in the central finance office; and (2) could be implemented in the short term. Each of the 15 projects was undertaken by a Project Action Team (PAT), consisting of financial management personnel from the bureaus, the ASCs, and the Office of the Secretary. Information concerning the original 15 projects is provided in Appendix C.

Goals and Results

The primary goal of the FOP is to improve the delivery of service, strengthen financial operations, and ensure the integrity of the financial accounting process while making significant reductions as called for in the Department's streamlining plan. A Management Action Plan (MAP) was developed which included a goal of reducing overall FTEs in the Department's financial management program by 25 percent by FY 1999. This will be achieved by bureau initiatives and the PATs operating under the FOP. This Plan was approved by the Interior CFO Council and the Interior Management Council.

The FTE reduction goal in the MAP represents a major component of the reductions Interior will show in the 500 job classification series in the Department's streamlining plan. The estimated FTE reduction and savings resulting from the implementation of the PAT recommendations and bureau initiatives are also estimated to reduce the financial management budget by approximately 20 percent by FY 1999.

The Department has made significant progress in achieving its FTE and budget reduction goals. Through FY 1995, the FTE utilization has been reduced by an average of 19 percent, and costs reduced by an average of 7 percent.

Although the significant savings from these FTE and budget reductions are readily apparent, the near and long term consequences in the Department's financial management program of such significant reductions is uncertain. As stated in the Department's 1995 Financial Management Status Report and Strategic Plan: "it may impact the integrity of the financial accounting process, which in turn may undermine CFO reporting, internal management reporting, and the successful implementation of the GPRA". A strategy to ensure that an adequate skill mix is maintained for employees involved in the Department's future financial management program is critical if financial integrity is to be preserved, implementation of GPRA is to remain on track, and the needs of internal and external customers are to be met. During times of major downsizing and streamlining, a special emphasis to ensure adequate internal controls are in place is also required to minimize vulnerability to fraud, waste, and abuse.

FINANCE OFFICERS PARTNERSHIP (FOP)

Introduction

The FOP is a professional accounting organization made up of Departmental Financial Officials and Bureau Finance Officers. The primary purpose of the FOP is to provide: (1) a means of managing and rapidly implementing the financial recommendations of the NPR and the Department's CFO Council; and (2) a structure through which Finance Officers develop agreements, consensus, and priorities on improvements in systems, operations, services, and information. The goal of the FOP is to coordinate, cooperate, and participate in the short and long term improvement of the Department's Financial Management Program while promoting efficiencies that reduce costs and improve service. (Refer to Appendix A for the FOP roster.)

Mission

The FOP's mission is to:

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

The FOP recognizes that financial management encompasses the full range of administrative disciplines: Accounting, Budget, Acquisition, Property, and Information Resources Technology. To effectively accomplish its goal, the Partnership will reach out to these disciplines to form expanded Partnership teams to address the overall complex financial management challenges.

The recommendations of the FOP will be made through the Director of PFM to the CFO Council. The FOP organization consists of one representative from PFM (the Deputy Chief Financial Officer's representative) and one representative from each bureau (Finance Officer). Meetings are held on a regular basis.

The FOP uses Project Action Teams (PATs) to address/carry out its initiatives, activities, etc. The FOP

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

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.

The FOP is a fully participatory organization consisting of one representative from PFM (the Deputy Chief Financial Officer's representative) and one representative from each bureau (the Finance Officer). The FFS-SAB operates under its charter but will report to the FOP. The SACAT also functions under the FOP. The work of the SAB and SACAT cover both the FFS and ABACIS bureaus. The FOP selects the Project Action Team (PAT) Leaders (usually volunteers). The PAT Leaders select their team members from the bureau nominations. The Finance Officers to whom the PAT Leaders report are the accountable managers for their respective Project Action Items. The FOP periodically reviews the progress of each PAT.

Administration

The recommendations of the FOP are made through the Director of PFM to the Interior CFO Council. Meetings are held on a regular basis. The Chairperson is responsible for the direction and administration of the FOP as follows:

- Develop and maintain a Management Action Plan (MAP) for the activities of the PATs.
- Coordinate and facilitate the exchange of management information necessary for the FOP to track each project.
- Facilitate and influence the activities of the PATs and any special teams, in cooperation with the Accountable Finance Officer, the SAB, and the SACAT.
- Prepare and distribute periodic reports or summaries of activities.
- Represent the FOP at CFO Council meetings.
- Assist in obtaining the resources necessary to carry out PAT team objectives.
- Schedule meetings, develop and distribute agendas, conduct meetings, prepare meeting minutes as appropriate and distribute to each FOP representative.
- Solicit comments and recommendations from FOP representatives.
- Present reports and recommendations made by the FOP to the CFO Council through the Office of Financial Management (PFM).

Selection of High Priority Projects

The FOP reviews recommendations presented by the CFO council, PFM, or the bureaus. The FOP prioritizes the projects and recommends project initiative teams to PFM. Upon approval of a project, a Project Action Team prepares a Project Scope Statement which defines the project objectives, target completion dates, dependencies and assumptions, and major milestones.

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Formation of Project Action Teams (PATs)

Members of the FOP volunteer to manage one or more of the high priority recommendations. In each of these cases, a member of the responsible Finance Officer's staff is assigned the responsibility to lead the PAT. The FOP also assigns some of the recommendations to the SAB and SACAT.

Members of the FOP nominate key staff to participate on the various PATs. The Team Leaders are provided with information regarding each nominee's relevant skills and experience and are empowered to select the members of their PAT.

Project Management

The hierarchy for project management is illustrated below:

- CFO Council
- Director of Fiscal Resources/Office of Financial Management
- Chair, Finance Officers Partnership
- Finance Officers Partnership Representatives
- Project Action Team Leaders
- Project Action Team Members

The accountable manager for a PAT is the FOP representative to whom the PAT Leader reports. Ultimately, the Chair is responsible for reporting the progress and accomplishments of each of the PATs to the CFO Council through the Office of Financial Management. The accountable FOP representative is responsible for ensuring that the Team Leader who reports to him/her has adequate resources to successfully complete the project on time and that identified resource problems are immediately reported to the FOP for resolution. Revised dates for deliverables must also be reported immediately with an assessment regarding the impact of such revisions on the project end date.

Administrative Service Centers' Participation

The Washington and Denver ASCs also develop Management Action Plans as appropriate.

Special Initiatives

The FOP has undertaken two special initiatives with Department-wide implications. These initiatives are described below.

Open FFS Review

The purpose of this effort is to determine the status of the AMS design and development of Open FFS, review the features/functionality of the software, and understand the FFS technical basis for Interior

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

planning purposes. The review team includes individuals from the SAB, the WASC, DASC, and bureau operations and program staff. The review will involve briefings by AMS, product demonstrations, testing of Program Office Desktop (POD), and system configuration meetings. In July, the Department, working with AMS, conducted a two day workshop to determine the criteria for reviewing the software based on currently identified improvements needed in the Interior financial management systems. An initial review of the POD software is scheduled in September and other sessions will be scheduled as other software modules are available. The majority of the work will be conducted during FY 1997.

Benchmark Study

Currently, the Department is participating in a benchmarking process sponsored by the American Institute of Certified Public Accountants (AICPA). This effort is needed 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 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 bureaus responses to the benchmark questions. The study is expected to be completed in the Fall 1996.

Project Action Teams (PATs)

The FOP's original Management Action Plan addressed 15 PATs for immediate action. A brief discussion of each of these PATs (numbered PAT #1 - PAT #15) is provided below. In addition, since the publication of the original MAP, seven new PATs have been added. A brief discussion of each of these new PATs (numbered PAT #16 - PAT #22) is provided below.

PAT #1: Rocky Mountain Bankcard System (RMBCS) Interface

Project Objective: Develop, test, and implement a standard payment interface in the Department's FFS applications for VISA credit card transactions from RMBCS.

Status: Software development completed in FY 1996. Software to be installed in threebureaus in FY 1996, with remaining bureaus to implement in FY 1997.

PAT #2: IDEAS/FFS/ABACIS/Property Systems Interface and Electronic Commerce

Project Objective: Determine the most cost-effective means of interfacing/integrating data between the IDEAS and the accounting and property systems, and analyze the effects of Electronic Commerce (EC) initiatives on these systems.

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Status: Scheduled for completion in FY 1997.

PAT #3: Automated Travel Management Software

Project Objective: Implement a travel management software package for use by all DOI bureaus that will meet bureau, Departmental, and regulatory requirements.

Status: Project objective redirected to the DOI Travel Re-engineering Lab initiatives (see PATs #18 and #22 which are briefly discussed later in this Appendix).

PAT #4: Automated Teller Machine Usage for Travel Advances

Project Objective: Implement a cost effective, Department-wide Automated Teller Machine (ATM) travel advance program by expanding the American Express ATM usage for obtaining travel advances.

Status: Completed.

PAT #5: American Express Credit Card Interface

Project Objective: Develop an automated FFS interface for airline ticket costs processed by American Express.

Status: Completed. Interface strategy that was developed was not feasible. Subject to be revisited in FY 1997, once certain of the DOI Travel Re-engineering Lab initiatives have been implemented.

PAT #6: Standard Payment and Certification Processes

Project Objective: Develop streamlined, standard, and cost-effective payment and certification processes for small purchases, contract purchases, and employee travel reimbursements.

Status: Scheduled for completion in FY 1997.

PAT #7: Statistical Sampling

Project Objective: Develop a training package and provide training for all bureaus on proper statistical sampling concepts and procedures for use in auditing financial records.

Status: Completed.

PAT #8: Permanent Change of Station (PCS) Travel Consolidation

Project Objective: Determine the viability of standardizing, re-engineering, streamlining, and

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

consolidating the PCS functions with the objective of reducing FTEs and improving customer service.

Status: An information request was distributed to bureau finance officers soliciting interest in the consolidation of change of station voucher processing. Information concerning costs, turn around expectations, and any ancillary functions to be provided (such as employee handbooks, phone/site counselling, etc.) was requested. The due date for responses is September 13, 1996. Project completion is scheduled for FY 1997.

PAT #9: Remote Data Entry

Project Objective: Document the current remote data entry (RDE) practices throughout the Department, determine which documents are candidates for RDE, and develop standard RDE packages for use by the bureaus.

Status: Completed.

PAT #10: Joint Testing of FFS Software Releases/Standardization of FFS System Processing Controls and Options

Project Objective: Standardize systems settings and options across bureau lines; develop standard test plans, schedules, and test cases; and conduct common tests to help eliminate duplicate bureau testing.

Status: Completed.

PAT #11: Quality of American Management Systems (AMS) Software Releases/ Software Enhancement Procedures

Project Objective: Improve the quality of the software delivered by AMS, and improve software enhancement procedures by identifying and documenting standard procedures and processes for submitting requests for enhancements and/or problem reports to the SAB for review and approval.

Status: Completed.

PAT #12: Employee Debt Collection Processes

Project Objective: Re-engineer and improve the overall effectiveness of the employee debt collection process.

Status: Scheduled for completion in FY 1997.

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

PAT #13: Feasibility of Consolidating and Standardizing Non-Program (Non-Employee) Delinquent Debt Management

Project Objective: Determine the feasibility of consolidating the management of specific types of delinquent debt within Interior.

Status: Completed. Project objective was preempted by the Department of the Treasury's consolidated debt processing services initiative. Two Interior bureaus, including the bureau with the most non-program debt in Interior, are completing memorandums of understanding with Treasury to provide debt collection services.

PAT #14: Processes for Adjustments/Redistributions and Reconciliations

Project Objective: Examine the reasons for adjustments/redistributions and reconciliations, and identify processes that may be automated.

Status: Completed.

PAT #15: FFS Table Clearing/Archival Process

Project Objective: Develop and implement an automated table clearing process in FFS, and research data archival and retrieval technology for implementation in the Department.

Status: Scheduled for completion in FY 1997.

PAT #16: Labor Cost Interface

Project Objective: Develop specifications, program, test, and implement a FPPS standardized labor cost interface in all bureaus utilizing FFS.

Status: Scheduled for completion in FY 1997.

PAT #17: Vision:Flashpoint

Project Objective: Promote the use of Vision:Flashpoint as a tool to modernize the current mainframe version of FFS.

Status: Initial implementation efforts are underway in the Bureau of Indian Affairs. Additional bureaus to implement in FY 1997.

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

PAT #18: Travel System

Project Objective: Participate in the travel system improvement efforts identified by the DOI Travel Re-engineering Lab.

Status: New PAT. Project Scope Statement being prepared.

PAT #19: Electronic Invoices

Project Objective: Investigate the feasibility of expanding electronic invoicing capabilities with selected vendors, and develop any appropriate accounting system interface processes.

Status: New PAT. Project Scope Statement being prepared.

PAT #20: Rocky Mountain Bankcard--Daily Pay

Project Objective: Modify the RMBCS interface to accept and process daily invoices.

Status: New PAT. Project Scope Statement being prepared.

PAT #21: Financial Management Performance Indicators

Project Objective: Develop a common set of performance indicators to evaluate relevant outputs, service levels, and outcomes of financial management functions in Interior bureaus.

Status: New PAT. Project Scope Statement being prepared.

PAT #22: Travel Lab Recommendations

Project Objective: Participate in the implementation of the travel process changes identified by the DOI Travel Re-engineering Lab.

Status: New PAT. Project Scope Statement being prepared.

Bureau Financial Management Incentives

USGS Financial Management Initiatives

The USGS has the following initiatives either underway or planned as part of its efforts to meet the CFO Council priorities:

A. Improving Financial Management Systems

1. Merger of NBS and USGS financial systems -- Following Congressional direction to merge the operations of the National Biological Service (NBS) with the USGS, a major initiative will be the consolidation of NBS financial processing with that of the USGS. NBS currently operates a separate application of FFS. Efforts will include moving operations to the USGS computer center, conversion of current and historical NBS data, report modifications, and user training.
2. Implement Future FFS releases -- USGS participates through the DOI Software Advisory Board in the identification of future FFS enhancements, as well as in software testing and implementation. Data archiving and preparations for the year 2000 are among the significant issues to be addressed, and issues associated with moving to a client-server processing approach will also be extensively reviewed.
3. Implement FFS Cost Allocation module -- USGS has not previously used the cost allocation subsystem of FFS; the bureau will explore the capabilities of the subsystem software and its effectiveness in meeting USGS needs for the automated redistribution of indirect costs.
4. Convert to FPPS / FFS interface -- USGS will implement a revised interface to pass labor cost data from FPPS to FFS.
5. DORRAN integration -- USGS will continue efforts to integrate with the FFS its Distributed Ordering, Research, Reporting, and Accounting Network system (DORRAN). DORRAN is used to order and track production status of a suite of USGS image and digital information products. The project includes the development of automated linkages between DORRAN and the FFS Inventory Subsystem, both for customer refunds and to enable seamless processing of map orders regardless of system entry point. These automated system interfaces will eliminate duplicate entry of data in both systems and improve customer service.

Product Sales improvements -- USGS is continuing several activities to improve product sales activities, including development of a capability for electronic ordering of maps by customers, exploration of electronic data interchange (EDI) technology for product sales, and performance enhancements to the existing map Inventory Subsystem, which is already integrated as a component of the FFS.

FFS/IDEAS Interface -- the bureau plans to implement the DOI interface between IDEAS and FFS following software delivery and appropriate testing.

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

B. Implementing the Government Performance and Results Act

Financial performance measures -- USGS is engaged in a variety of GPRA implementation efforts, including the completion in FY 1996 of an initial bureau strategic plan. Within the financial management context, a planned, subsequent phase is the development of bureau financial management performance measures. OFM will also be working with program managers to develop improved financial information in support of program performance reporting.

C. Issuing Accounting Standards and Preparing Financial Statements

Compliance with new standards -- USGS will be implementing new Federal Accounting Standards Advisory Board (FASAB) standards as they take effect. In addition, USGS is providing scientific expertise to the FASAB team currently developing the draft Natural Resources Standard. The bureau is also participating actively in the SACAT, and will implement the team's recommendations on a revised, SGL when they are completed.

Financial Statement Improvement efforts -- USGS is engaged in ongoing efforts to improve the presentation and accuracy of the bureau's annual financial report, and in particular in FY 1996 to make a series of management and accounting improvements related to product inventory and valuation. FY 1996-97 efforts will focus also on the development of a consolidated financial presentation reflecting the merger of NBS and USGS; in FY 1996 NBS activities were funded via the USGS appropriation, but the merger of personnel, program and management controls does not take place until FY 1997.

D. Developing Human Resources and CFO Organizations

Process changes and restructuring -- the USGS Office of Financial Management (OFM) will be planning and carrying out a significant restructuring of positions associated with the bureau's expansion of remote data entry across all program activities. With the changing support mission of OFM, position descriptions and office organization will require change to reflect the transition from a high volume of data entry to an increased emphasis on quality control, post-audit review, and development of management information. Associated with this effort will be a need for process redesign and staff retraining.

E. Improving Management of Receivables

Implementation of Debt Collection Improvement Act of 1996 -- USGS will develop and carry out plans to comply with the requirements of P.L. 104-134, to include actions to convert all employee payments to electronic funds transfer (EFT), as well as planning the shift of vendor payments to EFT.

F. Ensuring Management Accountability and Control

Management control improvements -- As a follow-on to the FOP- sponsored training on statistical

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

sampling methods, USGS is revising its sample selection process, developing examination guidelines for remote data entry payment review, determining additional training or guidance requirements for field sites and OFM staff, and documenting revised OFM guidelines for the post-audit internal control review process.

Program coordination improvements -- USGS will continue to focus on efforts to improve reporting tools and management controls in such areas as Government travel charge card expenditures and purchase card expenditures, both to ensure that cards are used for appropriate purposes and to provide effective oversight of credit card expenditures and employee debt.

Evaluate first-year operations of WCF -- FY 1996 was the initial year of operations for the USGS-WCF following issuance of the WCF Handbook. An evaluation of the effectiveness of Fund operating procedures and policies from the customers' perspective, and a review of fund contributions, investment and financial plan development, and spending will be carried out; in addition, an audit report from the DOI Inspector General is pending, and operating procedure or policy refinements will be developed in the context of any audit findings.

G. Modernizing Payments and Business Methods

Implement Rocky Mountain Bank Card (RMBC) Interface -- An electronic interface to load invoice data for IMPAC bank card purchases to the FFS will be put in place as soon as available, reducing OFM and field sites' data entry workload.

Electronic Receipt of commercial invoices (Electronic Data Interchange) -- As a longer-term initiative, OFM will work with additional vendors to implement electronic invoicing procedures in order to further reduce manual processing and speed payments.

Implementation of DOI Travel Lab recommendations -- Once recommendations of the DOI Travel Lab are approved, a variety of process revisions are anticipated, which may significantly modify existing USGS travel activities, e.g., the USGS pilot efforts to interface data from Travel Manager software to the FFS may require revision or redirection.

Customer outreach efforts -- OFM is pursuing a variety of efforts to provide improved financial information and better customer access to financial data, such as implementing electronic notification to travelers of impending reimbursements (may be affected by DOI Travel Lab outcome), and expanding use of electronic communications to customers via E-mail and Internet access.

Expansion of USGS remote data entry -- USGS in FY 1996 expanded the Water Resources Division's remote data entry (RDE) authority for processing FFS transactions to include both obligated and non-obligated payments, Third Party Draft accruals, imprest fund replenishments, and bank card accruals. The expanded RDE program will be extended to all other USGS divisions, and the potential for additional field payment authority (e.g., contract payments, travel voucher payments) will be explored.

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Review and streamlining of financial reports process and tools -- USGS FFS reports will be reviewed to identify opportunities for improved management and production cost savings, as well as for opportunities to better meet program customers' information needs. In addition, OFM will seek improved information retrieval tools to reduce time and effort and simplify user access to FFS for queries.

H. Improving Administration of Federal Assistance Programs

No USGS financial management activities are identified with this CFO Council priority at this point.

Bureau of Land Management (BLM) Financial Management Initiatives

A. Improving Financial Reporting

The BLM has worked closely with the DOI Inspector General's staff to correct deficiencies in accounting for real and personal property and firefighting operations inventory. The Bureau's aggressive actions have resulted in receiving an unqualified audit opinion for the FY 1995 statements. The Bureau tested the FFS Fixed Asset Subsystem during FY 1996 to see if it provides adequate accountability for real property assets.

B. Redesigning Billing and Collection Systems

The BLM is pursuing consolidation and integration of its existing billing and collections systems into a single system that manages all billing and collection processes in an efficient and cost effective manner. A redesign team has been established to develop a conceptual design model and implementation plan for one system that meets the needs of the BLM's diverse customer base. The team's focus is on internal systems and procedures changes which will simplify work, provide one entry point for data common to the program and accounting systems, and to provide managers with alternatives in accomplishing their mission.

C. Redesigning the Acquisition Process

The Acquisition Redesign Team was established to identify, evaluate, and recommend "radical" procedural and organizational changes in acquisition of goods and services in BLM. The Team's focus was on internal changes that BLM could make, rather than proposing legal and regulatory change where there would be nominal opportunity for change. As a result, "radical" redesign ideas were identified and recommended for implementation. In addition, the Team's research concluded that the Bureau could reap significant savings by aggressive implementation of the many recent Government-wide changes in procurement rules made over the past few years.

Radical redesign changes which will directly affect Finance are:

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

Auditing: Submission of a plan to GAO to allow for an increase to the limit of \$2500 for statistical sampling.

Redesign of the imprest fund: Each cashier would maintain a Government purchase card with ATM cash withdrawal capability. This would eliminate the inherent time delays in receiving reimbursement checks from Treasury and decrease the paperwork involved in obtaining more funds and accounting for the dollars spent. This method allows for using the “bank’s money” instead of BLM’s.

Bureau of Reclamation (BOR) Financial Management Initiatives

A. Reducing Resource Requirements

Since FY 1993, BOR’s Finance and Accounting Office has reduced its FTE by 33 (26 percent reduction) and costs by \$1.8 Million (25 percent reduction). Its supervisory ratio has increased from 1:6.3 in FY 1993 to 1:11 today. The following initiatives have contributed to these efficiency gains:

- BOR’s reorganization in FY 1994 resulted in a reduction of 1,274 employees (16 percent of its workforce).
 - Elimination of all contract labor in the finance office.
- Automation of accounting and reporting processes and interfaces with other administrative systems (i.e., automation of year end closing entries, “FACTS”, budget system interface, etc.).
- Use of Third Party Drafts throughout BOR, with a corresponding reduction in Imprest Fund activity.
- Implemented use of credit cards for collection of fees, cost of services, etc.
- Processing of payment to travelers and Imprest Fund cashiers via ACH.
- Remote data entry from field sites for obligation, billing, collection, and journal entries.
- Improvements in the travel reimbursement function, including implementation of the A T M program for travel advances, use of Travel Manager system in some regions, increased use of third party drafts (decreasing imprest funds by 16 percent in FY 1995), raising the statistical sampling threshold, and significant delegations of travel approval authority to the lowest management/supervisory levels possible.
- Improvements in the vendor payments function such as increased use of the “recurring payments” process in FFS, implementation of the “Fast Pay” process for RMBC payments, raising of the stat sampling threshold, and “direct deposit” reimbursements to imprest fund cashiers.

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

- Use of CD-ROM technology for intra-bureau reporting of financial data, and elimination of microfiche reporting.
- Elimination of approximately 50 percent of the work involved in preparation of annual business-type financial statements for each of our project entities (approximately 230).
- Development and implementation of a more effective and “user friendly” management reporting system.
- Development and delivery of a “Financial Management training course” for program managers and support staff to enhance their understanding and use of financial management processes and data.
- Development of an “activity based budget” that has provided customer focus on activities that are “nice to have” rather than essential.
- Reduction in volume of guidelines (74 percent BOR-wide) and elimination of burdensome regulations.

Fish and Wildlife Service (FWS) Financial Management Initiatives

A. Re-engineering Processes

Over the past few years, the FWS has focused on re-engineering processes to provide the best possible service to our customers within available resources. Over the next 5 years, the FWS will continue to re-engineer financial management areas. With the expansion of technology throughout the FWS, attention will be focused on financial management performance measurements, improvements in cash management activities, regulatory reporting and providing FWS managers with “live” financial information to allow for informed financial decisions at a moments notice.

In short, the FWS will no longer be known only for its ability to make payments on time, but rather its ability to record, account and report all FWS financial transactions in a manner that exceeds the requirements of the Congress, OMB, GAO, the Department and the IG. Our focus will be enhanced by technology and our ability to provide our customers with the best and most accurate financial information. Specific financial enhancements that are on the horizon for the FWS include:

- A simplified, standardized combined inventory system encompassing real property, historical sites, capitalized equipment, vehicles, museum pieces and the maintenance management system.
- Expanded usage of the electronic fund transfer (vendor express) for all travel reimbursements as well as to FWS vendors and contractors.
- Expanded remote data entry capabilities/dollar limitations for payment of all FWS obligations.

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

- Elimination of all paper copies of financial reports with distribution strictly by CD-ROM or CC:Mail. The FWS currently prints 19 reports totaling some 350,000 pages.
- Expanded use of the VISA program through the introduction of VISA CHECKS.
- Reducing, to the minimum possible, outstanding cash currently residing in FWS imprest funds.

The financial goal of the FWS, as evidenced by the above, is to reduce the amount of time that resource program personnel spend on administrative matters and to provide managers with the valuable data resources that are available at their fingertips.

National Park Service (NPS) Financial Management Initiatives

A. Reducing Resource Requirements

The NPS has undertaken the following initiatives to reduce resource requirements:

Prepayment audits of transportation billings: The Finance Division has contracted with a commercial firm that compares the rates charged by private carriers on their invoices for goods shipped under government bills of lading with the tariff schedules established by the General Services Administration. When the contractor determines that a carrier has charged a higher rate than that on the tariff schedule, the invoice amount is adjusted to reflect the correct rate, which is then paid by NPS. During FY 1995, the NPS realized savings of \$84 for each dollar paid to the contractor for net savings of about \$468,000.

Consolidation of payment functions: During FY 1995, the Finance Division consolidated its imprest, utilities and government payments section with accounts payable staff. This reduced annual resource requirements by six FTE and about \$185,000.

Accounting system instruction: Over 200 NPS sites use the FFS, and training users is a recurring requirement. During FY 1995, the Finance Division had a contractor develop a self-teaching diskette that provides instructions to FFS users. While all aspects of system operations are not covered in detail, the diskette does provide basic instruction so that many employees can begin using the system without classroom training. This initiative eliminated the need for an instructor position, thus reducing the Finance Division's resource requirements by one FTE and about \$47,000 in related pay and benefits.

Copy /fax center: During FY 1995, the Finance Division moved copy and facsimile machines into one location and assigned copying responsibilities to the mail and files staff. This resulted in several benefits: division staff no longer wait in lines to make copies; mail staffs were more effectively utilized, and when copiers go down they are returned to service faster since a co-located staff operates and maintains them. Annual savings are estimated at two FTE and \$57,000.

Purchase card program: During mid-1995, the NPS implemented the purchase card program whereby

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

goods may be purchased with credit cards by employees with contracting warrants and, within limitations, by employees without such warrants. At the present time, purchases by credit card are optional in most locations; however, usage will probably be made mandatory after personnel become accustomed to the new procurement and payment procedures. Since the number of commercial billings will be reduced substantially, we anticipate that with mandatory usage that resource requirements in the Finance Division will be reduced by 10 FTE and about \$274,000 in pay and benefits. Other savings will be realized in parks and other offices due to reduced procurement processing requirements.

ATM Program: During late FY 1995, the NPS activated the automated teller machine program for travelers. This program allows travelers to obtain travel advances from ATM machines rather than obtaining advances from imprest funds or by third-party draft or Treasury check. At present, usage is optional but will probably be made mandatory at which time the Finance Division should realize savings of three FTE and about \$77,000. Savings will also be realized in parks and other offices due to reduced travel advance processing, third-party draft transactions and related costs, reduced number of imprest fund transactions, and will reduce cash requirements in many locations. In addition, travel voucher processing will be faster due to less reconciliation work.

Third Party Draft Programs: This payment program was modified to increase the maximum payment amount allowed to \$2,500 and eliminated the minimum payment amount. An 8 percent increase in third party draft volume is anticipated, which will reduce the workload in the central payments office.

Bureau of Indian Affairs (BIA) Financial Management Initiatives

A. Improving Remote Data Entry

Under a cooperative agreement, the WASC-West is designing and developing an FFS Flashpoint application for use in the Division of Accounting Management (DAM) and, as part of the remote data entry effort, in the area and agency offices.

In October 1996, the WASC-West will assist the DAM implement Flashpoint for approximately 40 FFS users. The implementation will involve input of obligations and payments.

In the first quarter of FY 1997, Flashpoint will also be implemented in Washington D.C. as part of a pilot test of remote data entry. Following the pilot, Flashpoint will be deployed to the area offices as part of the Bureau-wide implementation of remote data entry.

In July 1996, the WASC-West formed a remote data entry implementation team that includes representatives of the WASC-West, DAM, the area offices, and the Washington Liaison Office. Under the facilitated direction of the WASC-West, the team will:

- develop a remote data entry (RDE) implementation plan for submission to the Department,

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

- formulate RDE operating policies and procedures,
- develop and manage an implementation project plan, and
- determine the impact on the area offices of various RDE alternatives.

The team will also establish, monitor, and evaluate several RDE pilot sites to demonstrate the feasibility of RDE, refine operating procedures, and assess productivity impacts.

Improving Prompt Payment Tables

The WASC-West is developing custom programs to re-populate BIA's on-line prompt payment tables which contained inaccurate and incomplete information. The tables will permit BIA to use the same FFS baseline prompt payment reports used by other FFS Bureaus and to simplify reconciling the prompt payment reports to the general ledger.

Assisting in improving FFS Interfaces

The WASC-West has initiated a project to design and develop an on-line interface between LOMAS and FFS. The current batch interface is inefficient and introduces apparent imbalances due to timing differences between LOMAS and FFS processing. The project includes:

- performing a functional analysis to determine system requirements,
- developing a functional design document and system specifications,
- developing and testing of a prototype interface, and
- developing, testing, and implementation of a full production, on-line interface.

Office of the Secretary, Minerals Management Service and The Office of Surface Mining ABACIS Bureau Partnership

During FY 1995, the MMS, OSM and OS established a partnership (ABACIS Bureau Partnership) to work jointly on several initiatives to streamline and automate financial processes. This partnership has allowed the 3 bureaus/offices to share limited resources for projects that benefit all 3 bureaus. These projects include implementation of an on-line budget planning module that allows program offices to establish financial plans, developing a bank card interface sub-system that gives program offices on-line access to establish obligations and review and approve subsequent charges, and modernization of a property management system through use of object-oriented technology. In addition, the partnership is working together to implement the new SGL in ABACIS, implement the requirements of the Debt Collection Improvement Act of 1996, and working with Price Waterhouse to develop an interface

FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

between IDEAS and ABACIS.

OSM has developed and conducted training on the government-wide SGL. OSM provided this training to the auditors with the OIG Denver Regional Office at their request. OSM has also implemented Travel Manager bureau-wide and assisted OS with their respective implementation. OSM reorganized the Division of Financial Management employing the team concept with team leaders responsible for various crosscutting projects.

The OS, Division of Fiscal Services, was reorganized into 1 of 5 lines of businesses in the newly formed Interior Service Center. Financial operations formerly conducted in the Division are now a part of the services provided by the Acquisition, Fiscal and Property Services business line.

MMS has implemented a pilot of the FedSelect Check Program. FedSelect is a new cash management initiative developed by the Department of Treasury that will allow MMS to issue checks to make payments normally paid from the imprest funds. FedSelect is expected to eventually replace imprest funds in MMS.