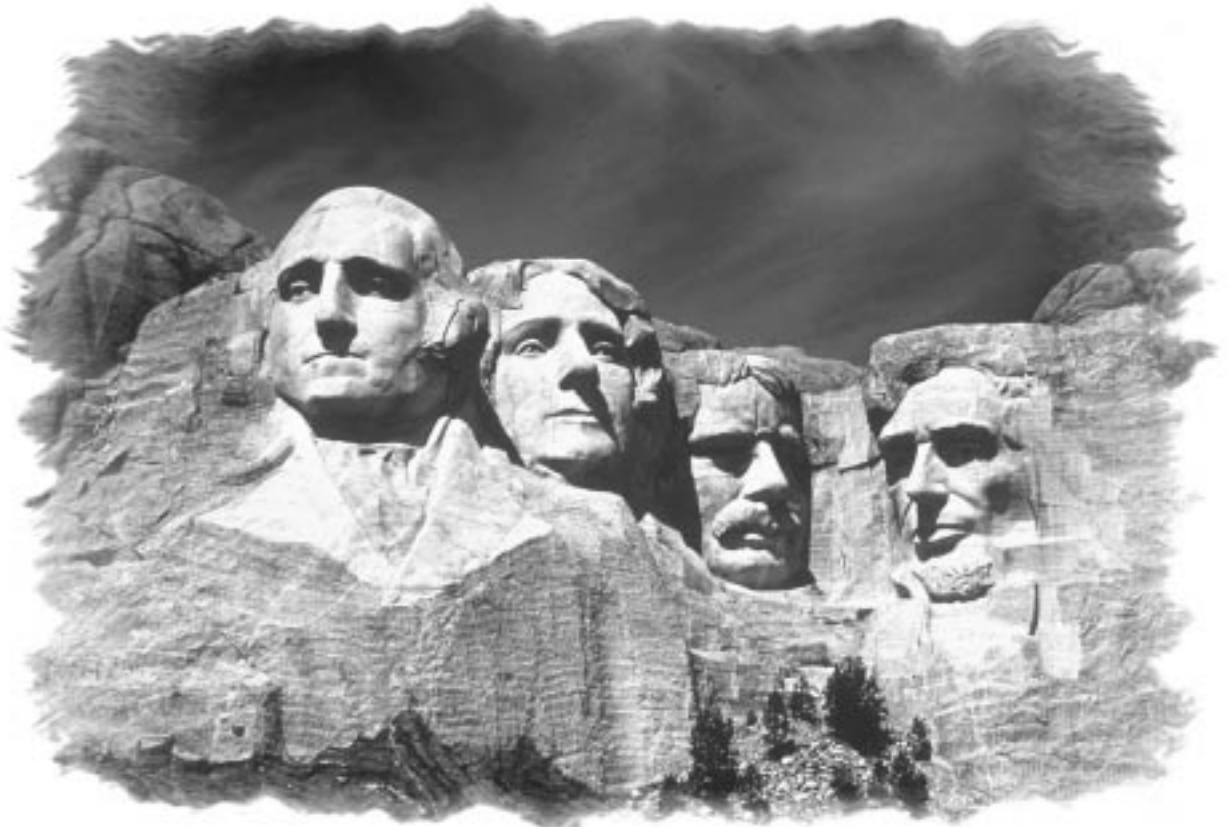




Financial Management Status Report and Strategic Plan 1999-2003

Required by the Chief Financial Officers Act of 1990



September 1998

U.S. Department of the Interior



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

Mr. G. Edward DeSeve
Deputy Director, Management
Office of Management and Budget
Old Executive Office Building, Rm 349
Washington, DC 20503

SEP 14 1998

Dear Mr. DeSeve:

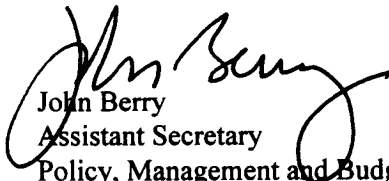
I am pleased to submit the Department of the Interior's 1998 Financial Management Status Report and Strategic Plan in support of the Chief Financial Officers (CFO) Act of 1990.

Over the past few years, we have made significant strides in improving accountability and financial management by improving customer service, streamlining organizations, reengineering business processes, and using technology to improve efficiency and the delivery of information. For Fiscal Year 1997, the Department received the first unqualified audit opinion by the Office of Inspector General on the Department's Consolidated Financial Statements. In addition, 9 of the 10 bureaus received unqualified audit opinions on their financial statements. While we are proud of our successes to date, we are aware of the need to further enhance and improve our operations and program performance in the future.

This plan outlines an aggressive agenda for the continued improvement of financial management within the Department. I have established three primary goals for management of the Department. First, I want to ensure that we are accountable to the public in the use of Federal resources provided to us by Congress. Second, I want to build a diverse Department that is as reflective of the strength and creativity of all America's people as the lands entrusted to us are of our Nation's beauty. Third, but not least, I want to create a quality workplace that will attract and retain the brightest workforce; a workforce that will accomplish our mission of stewardship, customer service and economic development with integrity and vigor. These goals are reflected in the financial management strategic plan. In addition, the plan is consistent with the goals, strategies and initiatives described in the June 1998 **Federal Financial Management Status Report and Five-Year Plan**, issued jointly by the Office of Management and Budget and the Government-wide CFO Council.

If you have any questions or would like additional clarification about the contents of this plan, please do not hesitate to call me on (202) 208-4203.

Sincerely,


John Berry
Assistant Secretary
Policy, Management and Budget and
Chief Financial Officer

Enclosure

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CHAPTER I. OVERVIEW

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.

Department Mission

Today, the Department's mission is:

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

Charged with this mission, the Department ensures that the Nation's investment in its natural and cultural resources is cultivated to guarantee the optimum environmental, recreational, cultural and economic benefits for the American people.

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 and re-engineering, improving accountability, 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 Chief Financial Officers (CFO) Act of 1990, the Government Performance and Results Act (GPRA) of 1993, the Government Management Reform Act (GMRA) of 1994, the Federal Acquisition Streamlining Act of 1994, Information Technology Management Reform Act of 1996 (ITMRA), Debt Collection Improvement Act of 1996 (DCIA), and the Federal Financial Management Improvement Act of 1996.

Chief Financial Officer Organization

The Department has developed and implemented a sound Chief Financial Officer Organization that is capable of successfully meeting the current and future challenges in Federal financial management. The CFO organization is headed by the Assistant Secretary for Policy, Management and Budget (see Appendix A) who was appointed as the Department CFO. The Department CFO provides detailed and objective advice on program planning, budget, and policy matters; oversees compliance with environmental statutes and standards; develops and maintains internal administrative policy, standards, objectives, and procedures for use

throughout the Department; oversees the administrative appeals process; and, undertakes special analytical and administrative support services for the Office of the Secretary. In addition, the Department CFO leads Interior's CFO Council in addressing emerging financial management issues and fulfilling its financial management vision.

Collaborative Working Relationships

The Department recognized that, in order to improve financial management and effectively reengineer 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 Interior Management Council, the Finance Officers' Partnership, and reengineering 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 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.

Interior Management Council - The Council, which is chaired by the Assistant Secretary - Policy, Management and Budget, and comprised of the Deputy Assistant Secretaries, Directors of Administration and other senior bureau and Department management staff, meets monthly to establish and monitor the implementation of high priority management initiatives requiring uniformity and consistency across bureau and organizational lines.

Administrative Services Advisory Board (ASAB) - The ASAB was established to provide executive management leadership and guidance to DOI service providers who offer administrative services on a fee-for-service basis and to provide Departmental strategic planning direction for administrative services.

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

Software Advisory Board (SAB) - The SAB was established as a permanent subcommittee 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, 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.

Information Technology Steering Committee (ITSC) - The ITSC is the primary review and recommendation body for information resources management in the Department. The ITSC is responsible for reviewing new and major acquisitions involving information resources management, monitoring the progress of major information systems development, recommending IRM policies and standards, and reviewing IRM budgets and strategic plans for major information systems improvements.

Property Management Partnership (PMP) - The PMP, comprised of personal, real and museum property management officials from the bureaus and the Department, was formed in FY 1997 to increase productivity, promote multi-bureau initiatives, and avoid the costly development or modification of duplicative, independent, stand-alone systems.

Acquisition Managers' Partnership (AMP) - The AMP, comprised of senior procurement managers from Interior's bureaus, was formed in FY 1998 to serve as a forum to work cooperatively and continuously to improve the management, efficiency, and effectiveness of procurement services in support of Interior's mission.

Financial Management Vision and Goals

The Department has adopted the following updated financial management vision established by the Office of Management and Budget (OMB) and the Government-wide CFO Council.

“Shaping an environment in which government officials use high quality financial and performance information to make and implement effective policy, management, stewardship, and program decisions.”

Each year OMB and the Government-wide CFO Council develop goals and initiatives that are published in the Federal Financial Management Status Report and 5 Year Plan. These goals and initiatives are consistent with the Federal Financial Management Vision, and form the basis for many of the initiatives in the Department's Financial Management Plan.

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

- Obtaining unqualified audit opinions on financial statements.
- Improving financial management systems.
- Implementing the GPRA.
- Developing financial human resources and the CFO organization.
- Improving asset management.
- Ensuring management accountability and control.
- Modernizing payments.
- Providing financial data stewardship.
- Improving administration of Federal assistance programs.

The Department initiatives in support of these government-wide priorities are described in the following chapters.

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 committed to playing a leadership role and making considerable 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, like other Federal agencies, has expended considerable resources in rethinking the way it conducts its business; provides the necessary leadership to efficiently manage its resources; provides timely and accurate financial information for stakeholders and program managers; and, contributes to restoring public confidence in government. The Department intends to continue this effort.

Within this context the Office of Financial Management has a primary role in providing leadership in improving financial management in the Department. In this role it assists the Department in achieving these goals by:

- Providing leadership to promote the efficient management of Departmental resources and assets.
- Providing quality financial services to internal and external customers based on their needs.
- Providing high quality financial information on Departmental operations which fully supports financial and performance reporting.
- Enhancing the framework that provides sound financial policies and services, and facilitates effective communication.

- Further enhancing financial management use of modern technology and business practices.

The Department recognizes that capital and human resource constraints, organizational streamlining, re-engineering, rightsizing, and accelerating technological advances all pose major challenges for the timely achievement of our financial management improvement goals. Many of the planned actions for 1999 and beyond are contingent on obtaining necessary resources. However, we believe that the plan established for the Department focuses on improving the areas necessary to ensure integrity in our operations and provides financial management leadership in support of the Department's mission.

Financial and Performance Management

The Department has established three primary performance goals for its financial management program. These goals are:

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

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

Goal 3: Reporting - Improve financial and performance reporting to better support management decisions at all levels and to ensure compliance with the Government Management Reform Act and the Government Performance and Results Act.

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

Goal 1 - Integrity

Performance Measure - Audit Opinions

Independent financial audits attest to the validity and reasonableness of the information disclosed in the financial statements and the accompanying notes and supplemental information to assure OMB, Congress, and the Public of the integrity of Department's external reporting. The following three opinions are issued annually by the Office of the Inspector General: (1) financial statements, (2) internal controls, and (3) FFMIA. Auditors classify financial statements in one of three categories: disclaimer, qualified, or unqualified (clean).

Objective: Achieve and maintain unqualified (clean) audit opinions on the financial statements included in the Department's Annual Accountability Report for all opinions.

Status

Audit Opinions

OPINIONS	ACTUAL		TARGET			
	1997	1998	1999	2000	2001	2002
Financial Statements	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Internal Controls	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
FFMIA	N/A	Qualified	Qualified	Unqualified	Unqualified	Unqualified

Performance Measure - Correction of Audit Finding

A number of internal control weaknesses are identified by independent auditors and reported by the Office of Inspector General, professional audit firms through single audits findings and GAO reported. These audit findings need to be corrected in a timely manner.

Objective - Correct within one year 75 percent of the audit findings reported in financial statement audits Office of Inspector General Reports single audit findings and GAO Reports and correct all internal control weaknesses within three years of being reported.

Status

Correction of Audit Findings

Long Term Goal Measure	Actual		Targets			
	1997	1998	1999	2000	2001	2002
Pending Internal Control Weaknesses	13	10	7	5	3	2
IG Reports	34	31	28	25	20	15
GAO Reports	37	31	28	25	20	15

Goal 2 - Efficiency

Performance Measure - Prompt Pay

Payments are required to be made within a given period of time or the government is required to pay interest. Performance is measured by the number of late payments requiring interest penalties to the total number of payments subject to the Prompt Payment Act.

Objective - Reduce the percentage of payments with interest penalties and the percentage of interest paid to a level at or below the Government-wide average of three percent.

Status

Prompt Pay

Long Term Goal Measure	Actual (%)		Targets (%)			
	1997	1998*	1999	2000	2001	2002
Percentage of payments requiring interest penalties based on number of payments	8.8	7.0	3.0	3.0	3.0	3.0
Interest paid (\$ in 000s)	\$1,213	\$724	\$400	\$400	\$400	\$400
Interest Paid as a percentage of payments	.07%	.06%	.02%	.02%	.02%	.02%

* as of 6/30/98

Performance Measure - Use of Electronic Funds Transfer (EFT)

The DCIA requires all payments to be made by EFT by December 31, 1998, unless covered by waiver as measured by the percentage of total payments issued that were made via electronic mechanisms.

Objective - Use electronic funds transfer to the maximum extent possible to include all payments except those covered by waiver.

Status

Use of Electronic Funds Transfer (EFT)

Long Term Goal Measure	Actual		Targets (%)			
	1997	1998	1999	2000	2001	2002
DD/EFT Salary Payments	90	94	96	97	98	99
Vendor Payments via EFT & Purchase Card	39	81	94	95	96	97
Miscellaneous Payments via EFT, Purchase Card, and other electronic means	42	74	77	78	80	85

Performance Measure - Transfer of Eligible Debt

The DCIA requires agencies to transfer eligible debt to the Department of the Treasury.

Objective - Transfer all eligible debt to the Department of the Treasury in compliance with DCIA.

Status

Transfer of Eligible Debt

Long Term Goal Measure	Actual		Target			
	1997	1998	1999	2000	2001	2002
Percentage of Eligible Debt	6%	80%	90%	100%	100%	100%

Goal 3 - Reporting

Performance Measure - Combining financial statement information with performance data

Combining annual financial and performance reports provides a more accurate overview of financial operations and program results. Performance information is necessary to comply with GPRA requirements and is critical to better support management decisions. Combining cost data with performance data adds to its value to managers.

Objective - Increase the reporting of performance information in the Department's Accountability Report and in bureau level reports and increase the number of measures that include cost information.

Status

Combining Financial Statement Information with Performance Data

Long Term Goal Measure	Actual		Target			
	1997	1998	1999	2000	2001	2002
Ratio of selected, high-level annual performance goals reported in the Department's Annual Accountability Report	One performance goal for each bureau	25%	100%	100%	100%	100%
% of Accountability Report measures involving costs	N/A	10%	20%	30%	40%	40%
Ratio of bureau annual performance goals reported in the bureau's Annual Report	At least one performance goal	25%	50%	75%	90%	100%
% of Bureau Reported measure involving costs	N/A	10%	20%	30%	40%	40%

Performance Measure - Interim financial and performance statements

Produce interim financial statements for all Interior bureaus and the Department, and improve the availability of financial and budget information to management within the Department. This would be measured by the number of interim reports produced within the fiscal year.

Objective - Produce interim financial statements twice during the fiscal year and one interim report on performance data.

Status

Interim Financial and Performance Statements

Long Term Goal Measure	Actual		Target			
	1997	1998	1999	2000	2001	2002
Interim financial statements published for internal use by management	none	once, as of 6/30	twice, as of 3/31 and 6/30	at end of each quarter	at end of each quarter	monthly
Interim performance data based on annual performance reports published for internal use by management	none	none	once, as of 6/30	twice, as of 3/31 and 6/30	at end of each quarter	at end of each quarter

Benchmarking of Financial Management Functions and Operations

The Department feels strongly that we need to be continually evaluating how well we are doing against the best in government and industry. To do this the Department uses a process of benchmarking. Benchmarking is the comparison of similar processes across organizations, companies and industries to identify best practices.

In 1993, the Department conducted a best practices study of the financial components of its administrative activities. This systematic and unprecedented initiative looked at 102 accounting processes in 19 functional areas and was structured to identify those processes which should be standardized, improved or eliminated to improve efficiency and achieve cost savings. The objective of the study was to obtain cost and FTE savings of at least 25 percent in each of the DOI Finance Offices. More than 60 recommendations were identified and prioritized, and led to the establishment of 15 Finance Officer Partnership Project Action Teams. In fact, measuring central office function using the best practice methodology, by FY 1995 the Department had reduced the Central Finance Office functions FTE by over 28 percent and resources by over 13 percent.

In 1996, the Department updated the best practices study by participating in a benchmarking study sponsored by the American Institute of Certified Public Accountants (AICPA). This update was intended to confirm that in fact the Department had achieved the planned FTE savings and to assist the Department in determining areas with great potential for improvement and cost savings. The AICPA study used 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 had 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 participating worldwide. The Interior benchmarking study used 1996 data and covered over 60 finance processes. The Department was compared to companies in the “large service company database”, and results showed that overall the Department was better than the average of all companies in the data base, although not as good as those in the first quartile — the top performers. The following summarizes some of the more significant results:

- The Department spent over \$70 million annually on finance functions.
- Finance costs represent 1.3 percent of Department revenue.
- The Department employs 949 finance staff.
- Finance operations process over 3.6 million routine transactions per year (transaction volumes).
- Finance staffs are highly educated and highly experienced — low turnover.
- The Department has additional opportunities for leveraging best practices.
- Potential opportunities for savings are greatest in transaction processing.
- The Department should continue to follow the approach of reducing and simplifying finance costs, maintain its “cross functional perspective”, leverage best practices; and develop common information systems and structures.

During FY 1998, the Department updated and compared the FY 1996 study against the most recent Hackett Group database. The Department has received preliminary information from The Hackett Group on the data submitted for the updated study and some of the more significant results are:

- The Department spends \$84.1 million dollars annually on finance.
- Overall finance cost represents 0.88 percent of revenue.
- The Department employs 111 finance staff per \$1 billion of revenue.

- Overall finance cost places the Department in the first quartile.
- Systems cost is 25 percent lower than first quartile.

We feel that the results indicate that on a whole the Department is operating an efficient financial management organization. However, it also highlights some areas where we can improve particularly in the area of transaction processing and in increasing our decision support capabilities. These are areas we intend to improve and these priorities are reflected in this plan.

CHAPTER 2. OBTAINING UNQUALIFIED OPINIONS ON FINANCIAL STATEMENTS

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 Chief Financial Officers' Act (CFO Act), as amended by the Government Management Reform Act (GMRA), requires agencies to prepare and publish annual agency-wide financial statements beginning with FY 1996.

The Department's financial reporting goals are to achieve and maintain unqualified audit opinions for all bureau financial statements and the consolidated Department financial statements, to strengthen financial controls, and to ensure that financial data produced for management decision-making is reliable, verifiable and consistent with the annual audited financial statements. In fiscal years 1996 and 1997, the Department volunteered to prepare an Accountability Report on a pilot basis. This Accountability Report includes audited consolidated financial information, as well as information on operating performance and management integrity. The Department will continue to prepare an annual Accountability Report, revising and expanding the content of this report to adapt to changing requirements and to meet the needs of interested parties. In addition, the Department's financial reporting strategy includes the continuation of bureau preparation of CFO Act financial reports. The Department believes that there are significant and long-term benefits of bureau-wide statements, including verification of the financial and cost accounting data used by management, presentation of a clear and concise summary of bureau operations, accomplishments and concerns, and identification and correction of operating weaknesses such as inventory management and collection of accounts receivable by working capital funds.

Improving Financial Management Reporting

The Department's goals are to be able to prepare bureau and consolidated financial statements on a timely basis that receive unqualified audit opinions, and make financial management information accessible throughout the year. Currently, the Department has:

- Prepared and audited FY 1997 financial statements for the Department's ten bureaus and operating components, and received nine unqualified audit opinions, indicating that the financial information presented was fairly stated in all material respects. Only the Bureau of Indian Affairs received a qualified opinion. All bureaus and operating components continue to demonstrate significant progress in improving the quality of financial data and financial statement presentation. *Exhibit 2-1* presents a summary of the Department's progress in the preparation and audit of financial statements. *Exhibit 2-2* summarizes all of the FY 1997 audit opinions, including compliance with internal controls, compliance with laws and regulations, and compliance with the Federal Financial Management Improvement Act, in addition to financial statement audit results.

Exhibit 2-1

**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	Fiscal Year 1996	Fiscal Year 1997
Department Consolidated				(F/S prepared but not audited)	Qualified	Qualified	UNQUALIFIED
Fish and Wildlife Service	(F/S prepared but not audited)	Qualified	Qualified	Qualified	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED
Geological Survey	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Qualified	UNQUALIFIED	UNQUALIFIED
Bureau of Indian Affairs	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Qualified	Qualified	Qualified
Bureau of Land Mgt	Disclaimer	Qualified	Qualified	Qualified	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED
Minerals Management Service	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED
Bureau of Mines	(F/S prepared but not audited)	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	(Bureau Eliminated)	
Nat'l Biological Service (established Nov 1993)				UNQUALIFIED	UNQUALIFIED	(Bureau Merged with USGS)	
National Park Service	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED
Bureau of Reclamation	Qualified	Qualified	Qualified	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED
Office of Surface Mining Reclamation & Enforcement	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED
Office of the Secretary	(F/S prepared but not audited)	Qualified	Qualified	Qualified	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED
Office of Territories and International Affairs	(F/S prepared but not audited)	(F/S prepared but not audited)	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED	UNQUALIFIED

Exhibit 2-2

Summary of Results of Fiscal Year 1997 Financial Statement Audits

	(1) Opinion on Financial Statements	(2) Opinion on Internal Controls	(3) Opinion on Compliance with Laws & Regs	(4) Opinion on Compliance w/ FFMIA	Comments
Consolidated	clean	clean	qualified	no	2) Reportable condition (not a qualification) on BIA and MMS Roy Mgt Prog 3) BIA non-compliance w/ debt collection, prompt pay & credit reform; BIA & MMS systems not in compliance w/ OMB A-127 & A-130 4) BIA & MMS systems
Fish and Wildlife Service	clean	clean	clean	yes	
Geological Survey	clean	clean (w/ rptable cond)	clean	yes	2) Reportable Condition due to 3 prior audit reports with unresolved issues
Bureau of Indian Affairs	qualified	qualified	qualified	no	1) 8 accounts qualified, related to Accounts Receivable, Revenue, Equipment and Construction in Progress 2) Material Weakness (qualification) on Internal Controls over Accounts Receivable, property transactions, and subsidiary ledgers. Reportable condition on financial systems 3) Non-compliance with laws on debt collection, prompt payment & credit reform; Systems not in compliance w/ OMB A-127 & A-130 4) Systems not in compliance w/ OMB A-127 & A-130
Bureau of Land Mgt	clean	clean	clean	yes	
Minerals Mgt Service	clean	clean	qualified	no	2) Reportable Condition (not a material weakness) on financial systems 3) & 4) Systems not in compliance w/ OMB A-127 & A-130
National Park Service	clean	qualified	clean	yes	2) Unimplemented recommendation on prior audit reports - fiscal year 96 financial statement audit audit (97-I-936) and concession audit (98-I-389)
Bureau of Reclamation	clean	clean (w/ rptable cond)	clean	yes	2) Reportable Condition due to 5 prior audit reports with unresolved issues
Office of Surface Mining	clean	clean	clean	yes	
Office of the Secretary	clean	clean	clean	yes	
Office of Internatl Affairs	clean	clean	clean	yes	

- Prepared and audited FY 1997 Consolidated Financial Statements for the Department, and received an unqualified audit opinion for the first time.
- Prepared the Department's second Accountability Report under an OMB-sponsored pilot program. OMB has been encouraging agencies to join a pilot effort authorized by the GMRA to streamline reporting through consolidating various reporting requirements into an annual accountability report. The Department first volunteered and was approved to participate in the pilot Accountability Report program in 1996. The report integrates the multiple financial management and performance measurement requirements of the CFO Act, GPRA, GMRA, and Federal Managers' Financial Integrity Act (FMFIA) into a comprehensive process. The Department's Accountability Report encompassed FY 1997 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.

Planned Actions for 1999

- Complete the preparation and audits of the FY 1998 consolidated financial statements by the target date of February 1, 1999 or no later than the statutory deadline of March 1.
- Continue to streamline the financial data collection process, to permit more timely preparation of the annual audited financial statements as well as the preparation of periodic unaudited financial reports for management. Streamlining that will include providing a single FACTS I submission to the Department of the Treasury for FY 1998 information.
- Begin preparation of quarterly financial statements for bureaus and operating components.
- Expand the amount of segment and program information presented in the Accountability Report, including both financial and GPRA performance information.
- Investigate more cost-effective approaches to the audit of Department, bureau and operating component financial information, to ensure the continuing preparation and publication of meaningful financial information. The Department will investigate approaches for improving support to the audit process to ensure that the benefits achieved to date will continue in the future.

Planned Actions for 2000 and Beyond

- Continue to improve the quality and timeliness of financial reporting.
- Begin preparation of monthly financial statements for bureaus and operating components.
- Continue to prepare and audit annual financial statements for all reporting entities, including bureaus and Department consolidated financial statements.

- Achieve unqualified audit opinions on all bureau and operating component financial statements, as well as the Department consolidated financial statements.

Correction of Federal Financial Management Improvement Act Deficiencies

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

For fiscal year 1997, the Office of the Inspector General (OIG) determined that all but two bureaus were in compliance with the FFMIA. The nature of the exceptions and the actions to be taken for those bureaus not in compliance are as discussed below.

Minerals Management Service (MMS) - The OIG in its audit found the Royalty Management Program's automated information system was not in compliance with FFMIA due to departures from certain requirements of Office of Management and Budget Circulars A-127, "Financial Management Systems," and A-130, "Management of Federal Information Resources." While MMS concurred that certain aspects of system security could be improved and has agreed to take action on OIG recommendations, MMS disagrees with the auditors over the significance and potential impact of these findings. Corrective actions underway by MMS are expected to be completed by September 30, 1998, at which point any FFMIA weakness will have been corrected.

Bureau of Indian Affairs (BIA) - The OIG in its audit found BIA's automated information system was not in compliance with FFMIA due to departures from certain requirements of Office of Management and Budget Circulars A-127, "Financial Management Systems," and A-130, "Management of Federal Information Resources." BIA agrees that the identified weaknesses do constitute an exception under FFMIA. Corrective actions underway by BIA to address these recommendations are scheduled to be completed by September 30, 1998.

CHAPTER 3. IMPROVING 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. 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. Since the mid-1980's, the Department has improved its financial systems, and eliminated duplicative and redundant systems. By 1984, the number of personnel/payroll systems used within the Department had been reduced from five to one. Currently, the Department's existing personnel/payroll system (PAY/PERS) is being replaced with a fully integrated, modern, on-line system, the Federal Personnel/Payroll System (FPPS), which was developed and is being maintained and enhanced by the Bureau of Reclamation's Denver Administrative Service Center. By the end of FY 1998, seven of nine Interior bureaus and the Social Security Administration will have implemented FPPS, and, by the end of the first quarter of FY 1999, all Interior and external client agencies will have successfully implemented the new system.

By FY 1992, the number of existing bureau core financial systems had been reduced from ten to two, with off-the-shelf software (Federal Financial System - FFS) being used in six bureaus which account for over 95 percent of the Department's annual accounting transaction volume. The remaining three smaller bureaus did not migrate to FFS because the anticipated costs of migration at the time were greater than the perceived benefit to the bureaus. 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.

Increasingly, the Department is becoming reliant on technology as the enabling agent for streamlining underlying financial and administrative processes, and improving the efficiency of transaction processing. Beginning in FY 1999, the Department will aggressively implement its "SmartPay" integrated charge card program in all bureaus to: outsource transaction processing to NationsBank; provide web-based access for transaction information to more than 40,000 cardholders; automate the reconciliation process for centrally-billed transportation accounts; develop an automated interface for credit card transactions to the Department's accounting systems; and create the next generation of management controls by using electronic reporting to provide a higher level of oversight over individual transactions than has heretofore been possible.

In FY 1999, the Department will also complete the implementation of the Interior Department Electronic Acquisition System (IDEAS), a standard, automated procurement system.

This system automates the acquisition process in requisitioning, contracting, purchasing, and contract administration.

In addition, the Department has established two Administrative Service Centers (ASCs) in Denver, Colorado, and Reston, Virginia, that cross-service Interior bureaus and other Federal agencies. The ASCs provide consistent, high quality, and cost-effective services such as accounting, personnel/payroll, procurement, and other administrative support. A third ASC, the Interior Service Center, provides accounting, procurement, space management, printing, property management and other administrative support to selected departmental offices. The Department has decided to merge these three ASCs into a single ASC structure. This merger, which will be completed in FY 1999, of expertise and resources is aimed at achieving greater Department-wide standardization and uniformity in providing administrative support services, improving operations and customer services, reducing administrative costs, and fostering the opportunity for expanding the customer base.

Financial Management Systems Improvement Strategy

The Department's goal is to improve financial transaction processing and to enhance the financial management systems support for the partnership between the program and financial managers. The Department views the movement toward a single, integrated financial system as encompassing three interrelated elements: (1) migrating to and enhancing standard Department-wide systems; (2) improving or replacing financial and mixed systems to take advantage of new technological capabilities (e.g., Internet browser and smart card technology); and (3) effectively interfacing or integrating financial management systems through electronic transfer of data and establishing standardized financial data classifications for movement of data to support finance and program managers.

The Department relies on a unified set of financial management systems planned for and managed together, and operated in an integrated fashion to collectively support program and financial managers. These systems are managed at various levels within the Department. Some of these systems are managed on a Departmental level, others are maintained at a bureau or local level, and some are government-wide systems that the Department relies on. Collectively, they represent the Department's financial management systems architecture. The current financial system architecture is shown in *Exhibit 3-1*, arrayed by the different types of management approaches being used.

The target architecture for the next five years for the financial management systems to permit the Department to adjust to changes brought about by organizational rightsizing, streamlining, and re-engineering is illustrated in *Exhibit 3-2*. To achieve this architecture, the Department will continue to work toward completing nine major financial management systems improvement efforts: (1) enhancing current Core accounting systems; (2) developing a long term financial management systems migration strategy; (3) implementing FPPS; (4) implementing a Decision Support System/Executive Information System (DSS/EIS); (5) implementing a Department-wide Procurement System (IDEAS); (6) maximizing opportunities for utilizing Electronic Commerce (EC) and other Electronic Data Interchange (EDI)

Exhibit 3-1

Department of the Interior Financial Management Systems - Current Environment

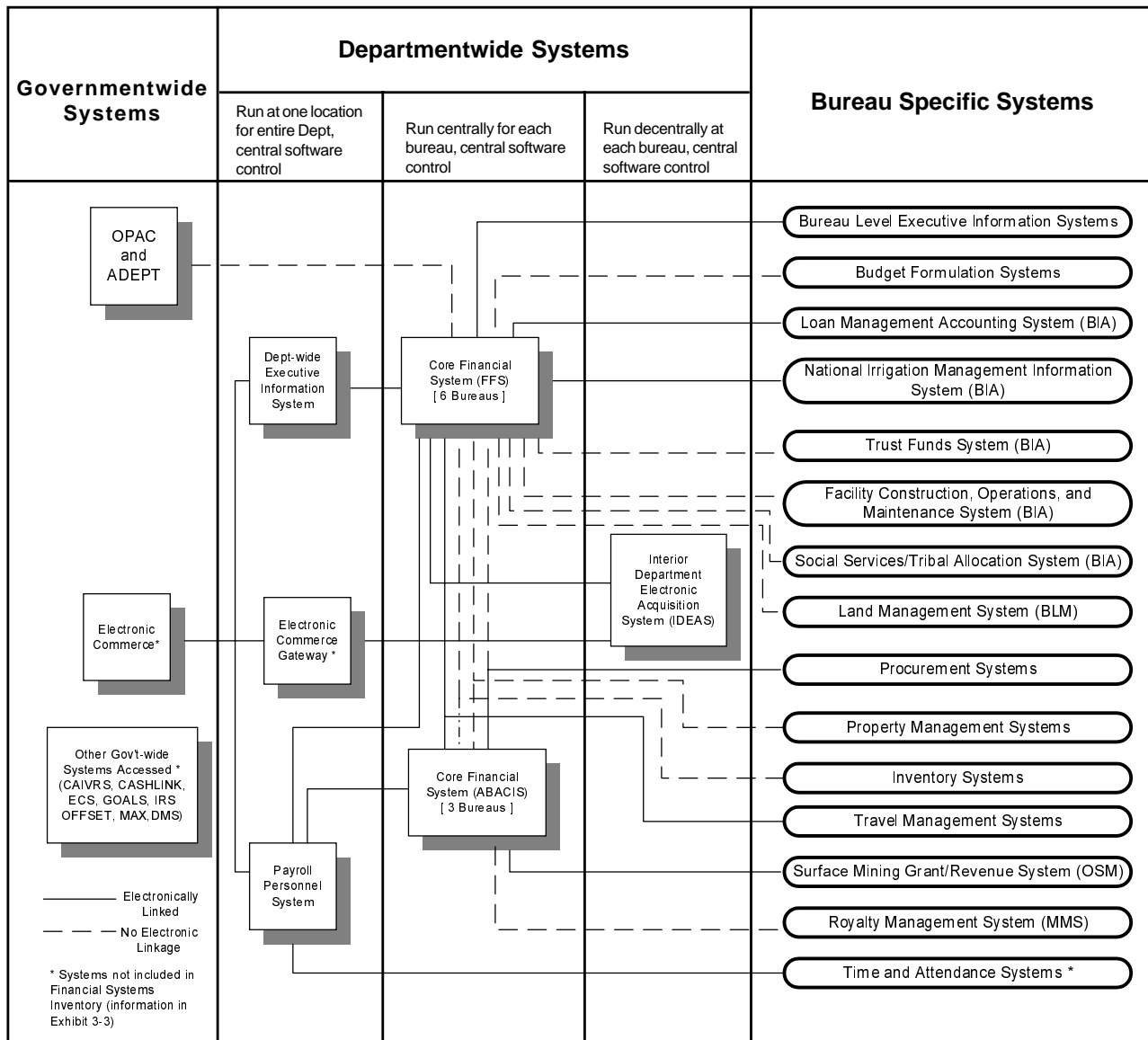


Exhibit 3-2

Department of the Interior Financial Management Systems - Target Environment

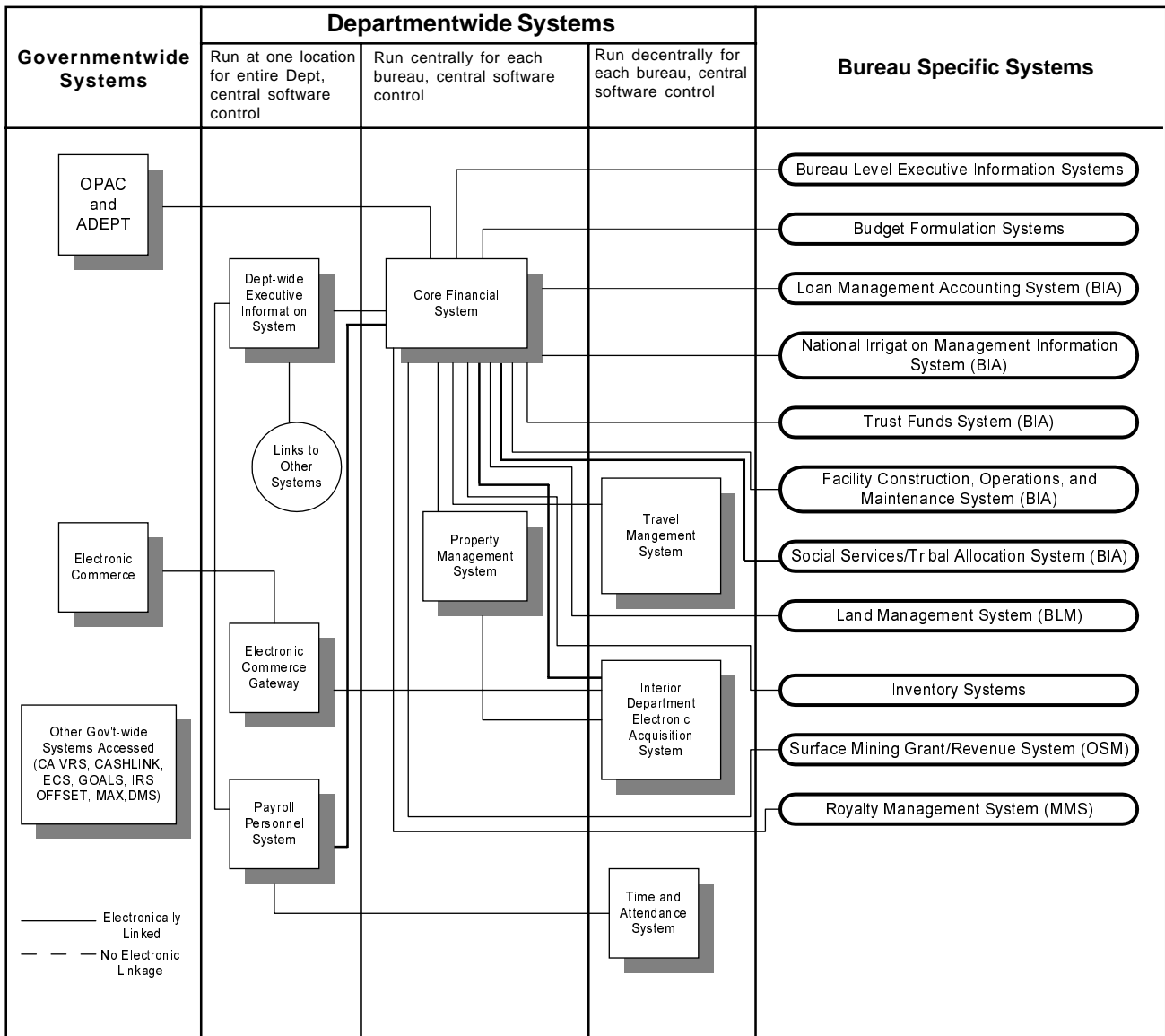


Exhibit 3-3

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

DEPARTMENT-WIDE SYSTEMS

Department-wide Executive Information

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

Payroll Personnel System

- Federal Personnel/Payroll (FPPS) (new Department-wide system being implemented in phases)
- Payroll/Personnel System (to be replaced by FPPS)

Core Financial System (FFS)

- Federal Financial System (6 bureaus/offices)

Core Financial System

- Advanced Budget/Accounting Control and Information System (3 bureaus)
- Accounting and Aircraft System (OAS)

Interior Department Electronic Acquisition System

- Department-wide 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 Information System II (NPS)
- Federal Aid Project Accounting and Ledger System (FWS)
- TABS (GS)
- Financial Reporting and Reconciliation System (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, OS)

- Individual Indian Monies System
- Integrated Resources Management System)
- Omni Trust/ES

Facility Construction, Operation, and Maintenance System (BIA)

Social Services/Tribal Allocations System (BIA)

- Tribal Allocation Priority System
- Social Services Automated System

Land Management System (BLM)

- Payment in Lieu of Taxes

Procurement Systems

- Procurement Management Information System (GS)
- Procurement System (OS)
- SATIN (OS)

Property Management Systems

- FFS Fixed Asset Subsystem (BIA, BLM, GS)
- Real Property (BLM)
- Moveable Property System (BOR)
- Property Management System (MMS, OSM)

- Personal Property Management Information System (NPS)

- Property Accounting and Control System (OS)

- Property Management Information System (new system being developed by MMS for use by MMS, OS, and OSM)

- Personal Property Management Information System (FWS)

- Real Property Management Information System (FWS)

Inventory Systems

- FEDSTRIP System (BOR)

- Material Management Inventory Control (GS)

- DORRAN (GS)

- Inventory Subsystem (GS)

Travel Management System

- Travel Manager Plus

Royalty Management System (MMS)

- Production Accounting and Auditing System
- Auditing and Financial System

Surface Mining Grant/Revenue System (OSM)

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

applications; (7) improving property systems; (8) improving the Indian Trust Funds systems; and (9) Royalty Management Program Reengineering Initiative.

Enhancing Current Core Accounting Systems

In FY 1998, the Interior bureaus developed and implemented software changes to FFS that made this system Year 2000 compliant. As an integral part of this effort, Interior also developed and implemented an automated FFS table clearing process to archive prior year “closed” records/tables to reduce the size of the operating files, thus streamlining nightly operations and saving online storage space.

Planned Actions for 1999, 2000, and Beyond

- Continue to maintain the existing Core accounting systems until a replacement Core accounting system is identified, acquired, and implemented.
- Investigate the feasibility of creating a FFS reporting data base using a data base management system similar to those being piloted in USGS, BLM and OSM.
- Interface finance systems with IDEAS.

Developing a Long Term Financial Management Systems Migration Strategy

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

The Steering Committee has developed a recommendations document and has presented the document to the Interior CFO Council for approval. In this document, the Steering Committee recommends that the Department engage in a coordinated cross-functional financial management streamlining effort that encompasses the following business functions: budget

formulation and execution; personnel and payroll management; acquisition, receipt, accounting, maintenance, and disposition of property and services; managerial cost accounting; and travel management. This effort would provide the basis for developing comprehensive requirements for an integrated financial management system within an Interior information systems architecture following the Joint Financial Management Improvement Program's "*Framework for Federal Financial Management Systems*".

This migration effort would involve a Department-sanctioned project to conduct streamlining of each of the key financial management business functions before the acquisition of replacement financial management system modules to support these functions. This would involve cross-functional teams that would assess each process and identify both process improvements and outline the data used in each process; the information required by each process; and the system requirements to support the streamlined processes. This migration project would form the basis for a system architecture to support financial management functions and executive information into the future. Following the streamlining efforts, the migration effort would replace existing system modules within the defined architecture on a schedule determined by the Departmental CFO.

Planned Actions for 1999

- Develop a long term strategic plan for the migration to an integrated financial management system for the Department. This effort would establish the proper strategy for upgrading/replacing the existing financial management systems within the Department and provide the justification for the system migration efforts under "Rainey Rules" and the Information Technology Management Reform Act (ITMRA). This effort would be led by the Steering Committee.

The pace of the efforts to migrate to an integrated financial management system is dependent on obtaining necessary resources.

Planned Actions for 2000 and Beyond

- Carry out the migration strategy established to replace existing financial management systems within an integrated information technology architecture.

Implementing the New Federal Personnel Payroll System

Prior to FY 1997, the Department operated and maintained a payroll/personnel system, called PAY/PERS, for all of Interior, as well as seven other government agencies. An ongoing development effort to replace PAY/PERS with a new system called FPPS (Federal Personnel/Payroll System) will be completed by the end of calendar 1998.

FPPS is a fully integrated personnel and payroll system that provides real-time updating of data in a database environment. It provides a full range of functional capabilities and allows supervisors and managers to access the system directly for both processing of actions and retrieval of information. It provides for electronic initiation and certification of personnel

and payroll actions and electronic access to data, thus virtually eliminating the handling and mailing of hard copy forms. It utilizes state-of-the-art technology, has extensive security and flexibility, and is designed to be year 2000 compliant. FPPS is considered to be one of the most advanced personnel/payroll systems in the Federal government today.

Seven of nine bureaus of the Department will have been converted to FPPS by the end of FY 1998. OMB has been actively involved in monitoring the status of FPPS progress and plans, and has encouraged the Department to continue to expand its cross-servicing commitment. Recent growth in new clients for payroll personnel services has more than doubled the customer base of the old PAY/PERS system. Many new agencies (including the Social Security Administration with approximately 67,000 accounts) have already been successfully converted to FPPS. The implementation of all existing Interior and external agency clients to FPPS will be completed in the first quarter of FY 1999.

Planned Actions for 1999

- Implementation of the remaining client agencies (Interior and non-Interior) will continue on a client by client basis through the first quarter of FY 1999. Interest from new client agencies remains high and involves active discussions with several agencies. FPPS implementation and resulting dialogue among existing clients is likely to generate even more interest from agencies seeking opportunities to redirect their resources and achieve economies-of-scale.
- Analyze the results of the independent FPPS assessment currently being performed by Booze-Allen and Hamilton and develop a strategy for implementing the study recommendations.

Planned Actions for 2000 and Beyond

- Continue implementation of new FPPS clients.
- Complete deferred system enhancements.
- Evaluate other enhancements, including customer-friendly interfaces.

Implementing a Decision Support System/Executive Information System

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. Interior has not had a DSS/EIS to provide executives with various views of financial information. In September 1995, Hyperion Software was procured. Since its acquisition, the Department developed an application for the Department-wide Consolidated Financial Statements which was used in

preparing the FY 1996 Consolidated Financial Statements, developed an application for the Department-wide Consolidated SF-133, developed a cost allocation application for the ISC which was used in the FY 1997 and FY 1998 planning process for the ISC, and developed a proof of concept financial application for the BIA to provide summary financial information to senior BIA executives. In addition, the Department has participated in establishing the Hyperion Users Group and is actively working with the Department of the Treasury, which uses Hyperion Software to prepare the Government-wide financial statements, to improve the transmittal of financial data to Treasury.

The Government Performance and Results Act (GPRA) required agencies to submit strategic plans to the Office of Management and Budget and Congress no later than September 30, 1997. These plans set out measurable goals that define what will be accomplished during a fiscal year and reflect a level of accomplishment commensurate with the resources required and subsequently funded. Beginning with FY 1999, the Department will be required to report on accomplishments related to these plans. To successfully meet these performance measurement requirements, the Department must develop systems with the capability to collect, report, and verify performance information to measure accomplishments against the annual performance plans.

The Department is beginning a process to build the needed infrastructure to provide the necessary reporting capacity to meet the FY 1999 GPRA requirement on a Departmental basis. The Department established a team to define the Department-wide requirements to provide access to performance data for executives, managers, and analysts to manipulate and improve the ability of the Department to achieve performance goals in the planned timeframes. The team reported back to the Department a recommended approach for accomplishing the objective that would build on capabilities currently in place to provide Departmental reporting; be compatible with bureau level systems that are being built or planned to support GPRA requirements; be in place for FY 1999 to be used to report on FY 1999 performance measurement data; support data needed for the Annual Accountability Report; and support budget office needs to report on performance against the annual performance plan.

Planned Actions for 1999

- The Department plans to expand the availability and use of EIS software tools via client/server methods, as well as provide Intranet and Internet access to a variety of administrative data.
- The Department will continue to use Hyperion software as the single source of preparing the consolidated financial statements for FY 1998. Further, the Department will participate in a pilot program with the Department of the Treasury to replace the existing SF 133, Report on Budget Execution, and TFS 2108, Year End Financial Statement, with Standard General Ledger Trial Balance data. The Treasury opines that collection of Trial Balance data is more amenable for analysis than standard reports.
- The Department plans to deploy the BIA financial application for senior managers and analysts.

- The Department will continue to partner with the Administrative Service Center to provide Interior and non-Interior bureaus and agencies continuing support to develop and administer Hyperion solutions and provide policy guidance.
- To meet GPRA requirements, the Department will further its efforts to determine how it will obtain data on a Department-wide basis to meet performance measurement requirements and the means that will be used to verify and validate measured values. This effort would include an assessment of options for developing a data warehouse for collecting Departmental GPRA data from bureaus to support GPRA reporting requirements for FY 1999 and subsequent years, using technology currently available in the Department or accessible within the timeframes and budget constraints. The intent is to establish a technical architecture to appropriately link bureau level initiatives with Department-wide efforts.

Planned Actions for 2000 and Beyond

- Implement the plan for FY 2000 reporting and continue to enhance EIS capabilities.

Implement a Department-wide Procurement System

The Department made a decision in January 1997 to upgrade its Interior Department Electronic Acquisition System (IDEAS) procurement automation software to a Windows-based, commercial-off-the-shelf package. Competition was completed and an order placed in April 1997 to American Management Systems, Inc. (AMS) for its Procurement Desktop (PD) software. The new IDEAS software has been tested, including Year 2000 compliance, and implemented in the USGS, MMS, BOR, FWS, and one location each in the Interior Service Center, BLM, NPS and BIA. Web-based electronic commerce and an interface to financial systems is being made available to buying offices as they are implemented on IDEAS.

Planned Actions for 1999

- Implement IDEAS in all remaining major buying locations in BLM and BIA, as well as those of the NPS and the Office of Aircraft Services.
- Install an IDEAS interface to DOI financial systems in several major offices during FY 1999.
- Continue to work with other Federal agency users of the AMS PD product, including the Department of Defense, the Patent and Trademark Office, the House of Representatives, the Library of Congress, franchise clients, and others to coordinate and reduce the costs of software enhancements.
- Continue to provide (as an OMB authorized franchise effort) procurement system support to other agencies.

Planned Actions for 2000 and Beyond

- Maintain and support existing IDEAS implementations.
- Assist bureaus in any additional IDEAS implementations at smaller field units, including financial interfaces and electronic commerce.
- Assist any new franchise clients in IDEAS implementations.

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. With the continued implementation of IDEAS, Interior intends to increase its volume of EC procurement transactions. Electronic commerce will include a full range of procurement and financial transactions such as Requests-for-Quotations, vendor responses, Purchase Order and Delivery Order awards, notifications, purchase card transactions, and payments.

From FY 1993 through FY 1997, the number of purchase cards increased from 4,535 to over 18,000. The number of purchase card transactions increased from 96,060 to over 712,000; and the purchase card dollar volume increased from \$17 million to over \$211 million. At the end of FY 1997, Interior was ranked (according to the GSA statistics) second among civilian agencies in number of card actions and 3rd among the civilian agencies in dollar value of card actions and number of cardholders.

In FY 1997, 72.6 percent of all small purchase actions under \$25,000 and 35.7 percent of the dollar value of all such actions were made with the purchase card. The Department's target is to increase purchase card use to 75 percent of small purchase actions for FY 1998. DOI has a long-term goal of 90 percent of all purchases below \$2,500 to be made via purchase cards.

Planned Actions for 1999

- Implement an integrated card solution for the purchase, travel, and fleet business lines under GSA's new "SmartPay" program.
- Outsource the responsibility for transaction processing to NationsBank.
- Provide web-based access for transaction information to our 40,000 card holders.
- Consolidate the account setup and maintenance functions for the travel, purchase and fleet business lines.

- Automate the reconciliation process for centrally-billed transportation accounts.
- Develop an automated interface for all charge card transactions to the Department's accounting systems.
- Develop the necessary electronic exception reports to preserve the financial integrity of programs.
- Establish a "daily pay" capability.
- Make web-based electronic commerce available to all remaining major purchasing offices in FY 1999.
- Continue efforts to implement the electronic payment requirements of the Debt Collection Improvement Act of 1996.
- Participate in the Government-wide effort to standardize Federal grant payment systems.

Planned Actions for 2000 and Beyond

- Assess the additional capabilities of the new charge card contract and determine which features to implement, including smart card features.
- Implement the decisions/systems that result from the Government-wide effort aimed at standardizing Federal grant payment systems.

Improving Property Systems

The Department's property system strategy is aimed at standardizing and streamlining the automation of the personal and real property management functions Department-wide. This effort is intended to increase productivity and to avoid the costly development or modification of duplicative, independent systems and interfaces with other administrative systems. Material weaknesses have existed in several bureaus' property management programs. The Chief Financial Officers Act requirements and budget constraints compel the Department and bureaus to evaluate their current systems and systems options. The Department through the Property Management Partnership, comprised of all the bureaus and the Office of Acquisition and Property Management, 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.

Planned Actions for 1999

- The Department will continue coordinating with the bureaus to reduce the number of separate bureau automated personal property systems. The Property Management Partnership will continue to address needed enhancements in property systems with the objective to migrate as quickly as possible to systems that incorporate new technologies which

will eliminate duplicate data entry and allow for easy and timely access to data. A personal property module, with an electronic linkage to FFS, has been developed and implemented in three bureaus, USGS, BLM, and BIA. In FY 1999, NPS will implement this FFS personal property management module. In addition, progress in real property systems is underway with BLM and BIA modifying the FFS personal property module to also track real property.

Planned Actions for 2000 and Beyond

- Through the Property Management Partnership, the Department expects to expand the effort to standardize and streamline real property systems by including BOR, FWS, USGS, and NPS, and determine the extent of common requirements and of an interface with the Department's current maintenance management initiative. As requirements for real property automation are defined, future funding needs to support system development for the other four bureaus will be determined.

Improving the American Trust Funds System

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

The OST, headed by the Special Trustee, now oversees and coordinates trust fund management reforms for the Department. The Special Trustee was appointed and confirmed in 1995, and reports directly to the Secretary. In 1996, a Secretarial Order expanded the Special Trustee's responsibilities by transferring to OST the Office of Trust Fund Management and other financial trust services functions of BIA.

Reviews by the General Accounting Office, the Department's Inspector General, and independent accounting firms had identified serious financial management problems in the BIA's management of Indian Trust Funds. Reports based on these reviews indicated, among other things, that current trust fund data is unreliable, inaccurate, and inconsistent, and current trust systems are inadequate to comprehensively process trust data, and incapable of supporting investment activities. Also cited were 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 Office of Trust Fund Management implemented an interim service

bureau system for managing tribal investments and accounting services. It helps the Office of Trust Fund Management perform fiduciary duties regarding tribal trust fund investment, accounting, and reporting. The majority of collection activities are still being performed by BIA. The Six Point Plan also called for correcting problems with Individual Indian Money (IIM) accounts, including correcting IIM data and improving IIM-related systems.

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

These initiatives are also included in the July 1998 High Level Implementation Plan of the Trust Management Improvement Project. It addresses 13 subprojects, responsible bureaus and offices, supporting tasks, critical milestones, work plans, resource estimates, and accountable officials. The 13 subprojects addressed are:

- OST Financial Data Cleanup
- BIA Resources Data Cleanup
- BIA Probate Backlog
- OHA Probate Backlog
- BIA Appraisal System
- Trust Funds Accounting System
- Trust Asset and Accounting Management System
- LRIS Enhancements
- Minerals Management Service (MMS) Systems Reengineering
- Records Management
- Policy and Procedures
- Training
- Internal Controls

Planned Actions for 1999

- The Special Trustee and other Department officials are proceeding with records cleanup, backlog elimination, and activities under the implementation plan for improved systems. Pilot efforts are planned to prove concepts, develop alternatives where necessary, identify implementation barriers, develop realistic cost estimates, and gain firsthand experience for broader full scale implementation.

The Trust Fund Accounting System has been acquired, and it is being piloted in August 1998. After full implementation in late 1999, it will be used for all tribal accounts and the IIM investment pool.

Planned Actions for 2000 and Beyond

- Implement TAAMS and Land Records Information System (LRIS) after piloting in 1999.

Royalty Management Program Reengineering Initiative

The Royalty Management Program (RMP) is responsible for ensuring that all revenues from Federal and Indian Lands are efficiently, effectively, and accurately collected, accounted for, verified, and disbursed to appropriate recipients in a timely manner. These revenues amount to more than \$4.5 billion annually (FY 1997 revenues were \$6.3 billion). RMP is faced with a number of challenges that has forced it to reexamine its core business processes. One of these challenges is the Federal Oil and Gas Simplification and Fairness Act of 1996 which significantly changes many of the RMP's historical operating assumptions, as well as some fundamental Federal oil and gas mineral revenue financial activities. Another compelling reason for a reengineering effort is the need to improve the RMP's performance by reducing its business cycle to be on a par with other comparable organizations in the public and private sectors. Key to the RMP's reengineering initiative is the modernization of its information technology infrastructure, by deploying a variety of new technologies and replacing many applications whose roots can be traced to the early 1980's.

The reengineering initiative addresses all core RMP business processes including financial, accounting, compliance and supporting computer systems. The reengineering team is expected to ultimately produce new business processes and support systems that are:

- Highly integrated
- Process centered
- Focused on outcomes
- Less costly
- Well positioned to meet current and future mission requirements.

Planned Actions for 1999

The contracting strategy being employed features a two-phased contract award process. To ensure full competition, contractors will be invited to submit capability statements in response to broadly stated reengineering requirements. RMP will then select a small number of contractors from this group (two to three) to participate in another competitive round. These contractors will be invited to spend two to three months with the reengineering team and RMP operational staff. During this period, they will gain a clear understanding of reengineering requirements. They will be funded to develop and present their best solution to meet RMP objectives. Proposals will be obtained for both financial and compliance modules with a contract awarded to the firm's proposal that best meets RMP objectives in terms of use of technology, functional capability, and cost.

During FY 1999, RMP will:

- Document functional requirements and system performance expectations in sufficient detail to solicit capability statements and proposals from vendors.
- Prepare and issue a statement of work and request for proposals.
- Select vendors (two to three) to develop specific and demonstrable solutions to RMP reengineering requirements.

Planned Actions for 2000 and Beyond

- Award contract for database design, underlying IT environment, and implementation of the financial and royalty management systems.
- Design the database and establish the underlying infrastructure to be used to integrate compliance, asset, financial, and royalty management systems.
- The implementation of the compliance and financial modules will continue through FY 2000 and FY 2001, and are targeted for completion in September 2000 and September 2001, respectively.

CHAPTER 4. IMPLEMENTING THE 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 Government Performance and Results Act (GPRA) is a driving force toward establishing a “performance-based infrastructure” within the Federal government. The Congress, the Administration, and taxpayers want greater accountability in the management and operation of Federal programs. Implementation of the GPRA is a key step toward achieving this goal.

GPRA requires agencies to develop strategic plans that elaborate the mission, outcomes and results that the agency programs are dedicated to achieving. Further, the Act requires that agencies set performance goals that will reflect progress toward outcomes, measure performance against goals, and report annually on accomplishments. The first required reporting of performance of funded programs required by the act begins with FY 1999.

The Department fully supports the principles embodied in the GPRA, and is creating the performance measurement framework envisioned by the Act. The Department is committed to taking the appropriate steps to comply with GPRA requirements, in coordination with efforts to comply with the GMRA requirements. The Department is taking steps to have the necessary performance measurement infrastructure in place before the statutory mandated deadlines.

The Department completed two major GPRA milestones in 1998.

- The Department completed and submitted to OMB and the Congress its first GPRA strategic plan on September 30, 1997. The plan is available on the Internet at *www.doi.gov*.
- The Department prepared and submitted the FY 1999 annual performance plans with the FY 1999 budget request to Congress.

While these are significant accomplishments, Interior recognizes that much needs to be done before the Department will have an effective performance management system in place. In response to OMB, GAO, and Congressional comments and criticism of our first plans the Department is working diligently to reduce the number of goals to a more manageable few, reduce the volume of the strategic and annual planning documents and make them more concise, readable and useful. Our Performance Management Council has just completed work on a common format for all bureaus to use as the plans are revised. This includes common nomenclature for goals and a common format for presentation of required GPRA information. This will address the concerns raised by OMB and Congress about the lack of consistency across bureaus in the first round of plans.

The Department and its bureaus are evaluating the usefulness of its current strategic plans and two bureaus, the U.S. Geological Survey and the Fish and Wildlife Service, are in the process of preparing full revisions to the strategic plans. The Department is reorganizing and refocus-

ing the content of the Overview section to make it more readable. For example, we are consolidating the Department's ten commitments into five broad Departmental goals, providing better linkage between Departmental goals and bureau plans and goals, and reducing management goals to the vital few that directly impact our ability to achieve the mission. The remaining bureaus will be making minor changes to the current strategic plans through the annual planning process and will prepare official revisions of their plans before the statutorily required date of September 30, 2000.

Interior is focusing on our annual performance plans and the relationship to the budget justifications. A pilot test has been conducted to examine Interior's ability to link budgetary dollars to annual performance goals. Results indicate that the Department's ability to relate budget dollars in a real and meaningful way to specific annual performance goals and target levels of performance varies with the individual bureaus. All bureaus can provide a reasonable linkage at a higher level such as GPRA program activities. For FY 2000, the Department anticipates providing a direct linkage of budgeted dollars to annual performance goals for at least three bureaus.

The Department is continuing to evaluate the data required to support the GPRA plans. This information will form the basis for performance reporting required to meet GPRA requirements. In preparation for FY 1999, the first year covered by the Results Act, the Department has taken a number of steps to ensure that accurate and reliable performance data will be available for management and reporting results.

Interior has verified the availability of baseline information and currently has over 90 percent of the baseline data available right now. The remaining ten percent are being reviewed to determine the validity of the measures and whether they should be kept, modified or replaced.

The Department has conducted a pilot test of a method for collecting and reporting data in FY 1999. The Department will be collecting available performance information on a quarterly basis, compiling the information in a Microsoft Access database and making the information available to managers throughout the Department. The Department has identified a need to automate this process to allow more timely information to flow to a broader audience. This is reflected in the Department's request for FY 1999 funding for a performance management system with network capability.

The Department is working with other agencies to resolve some of the more complex and outstanding issues associated with GPRA implementation. Interior is an active member of the National Academy of Public Administration's GPRA Consortium working cooperatively with other agencies on common implementation issues.

The Department's bureaus are also working through the Natural Resources Performance Measures Forum to examine natural resource cross cutting issues. The Natural Resources Performance Management Forum, sponsored by the Bureau of Land Management, was established in 1995 to discuss strategic goals and coordinate agency planning activities. This cross agency forum is comprised of almost all the Federal natural resource agencies and has

worked to improve the understanding of the roles and goals of the different agencies in managing natural resources. A dialog is occurring that, without the Act would not have happened. The forum is currently working on crosscutting issues and has chosen “clean water” as a pilot area for doing crosscutting planning across the member agencies.

Through the Act, we have been able to focus the efforts of multiple agencies to improve the condition of nationally significant ecosystems. The Department’s strategic plan contains measurable goals for the Pacific North West Forest and the South Florida Everglades. In the South Florida Everglades, six Federal agencies, state government and two Indian tribes have developed a strategic plan that, through the combined effort of all parties will improve the water quality and regional ecology while meeting the needs of the people who live and work in the area.

Planned Actions for 1999

- Prepare and submit annual performance plans with the FY 2000 and FY 2001 budget submissions.
- Evaluate data and reporting requirements, and improve the Department’s capacity to collect, report and verify consolidated performance measurement data.
- Include selected high level performance indicators in the Department’s Accountability Report for FY 1998.

Planned Actions for 2000 and Beyond

- Update the Department and individual bureau strategic plans.
- Prepare and submit annual performance plans with annual budget submissions.

CHAPTER 5 . DEVELOPING HUMAN RESOURCES AND CFO ORGANIZATIONS

Background

In view of the changing demands on financial management personnel as a result of the CFO Act, GPRA, GMRA, and organizational right sizing, it is imperative that personnel responsible for the administration of the Department's financial resources continuously upgrade their skills so that 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 provides guidance to the Director of Financial Management (PFM) in developing an overall training and development plan for the Department.

To facilitate the development and implementation of a training and development plan, the Department designated a Training Coordinator within PFM. The Training Coordinator directs the department's Financial Management Training and Development Program (FMTDP), schedules financial management training, locates and reserves training sites, identifies instructors and on-the-job training experiences, tracks and records participants training, reviews and maintains participant's Individual Development Plans (IDPs), prepares and distributes training certificates, and monitors and responds to program evaluation and feedback. The Training Coordinator also serves as the Department's liaison to the 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.

Sponsoring Diverse Training Programs in Financial Management

- Presented the Department's Financial Management Conference in May 1998. Approximately 300 Department personnel attended to focus on ways to work together to improve performance and accountability within the Department. The Conference attendees overwhelmingly rated the conference as very good or excellent.
- Established a web site on the Office of Financial Management Home Page at *<http://www.doi.gov/pfm/training.html>* to communicate course offerings to the Department and other agencies.
- Conducted a Department-wide survey on training needs for FY 1999.
- Participated in the development of and distributed the JFMIP and government-wide CFO

Human Resources Committee core competencies for budget analysts, accountants, and financial managers to the Department's financial management community for inclusion in their selection process for these positions.

- Courses offered during FY 1998 included:
 - Accounting I
 - Accounting II
 - Cost Accounting
 - Introduction Federal Financial Accounting
 - FASAB Update
 - FASAB No.4, Managerial Cost Accounting and GPRA Measurement
 - Team building
 - Appropriated Fund Law
 - Standard General Ledger
 - FACTS II
 - Leadership
 - Change Leadership

- Trained 964 staff members in conjunction with the Washington, Denver, and Albuquerque Learning Centers

Bureaus/Office	Participants Trained in FY 1998	Conference Participants FY 1998	Total Participants Trained in FY 1998
BIA	84	22	106
BLM	72	23	95
BOR	89	48	137
FWS	39	33	72
MMS	44	17	61
NPS	27	37	64
OSM	32	25	57
USGS	99	57	156
OIG	107	2	109
OS	76	31	107
Totals	669	295	964

Other Related Training

- The WASC provided FY 1998 training in the following areas:
 - Fixed Assets
 - Use of FFS
 - IDEAS
 - Hyperion
 - Remote Data Entry

Planned Actions for 1999

- Continually analyze training results and make appropriate curriculum revisions.
- Analyze and report periodically on the results of the financial management training and development program to Bureau CFOs, DCFOs, and Finance Officers.
- Work with the WASC, and bureau finance and budget officers to develop a pilot cross training program related to FFS.
- Make contact with the government consortium called Gateway to explore the possibilities of bringing long distance learning to DOI financial management personnel.
- Based on survey results, at a minimum, conduct and or sponsor training in the following subject areas:
 - Cost Accounting
 - Appropriated Fund Law
 - FASAB Standards
 - Leadership
- The survey identified a need for courses in DOI Budget Execution and DOI Standard General Ledger training. In the first quarter we will bring together experts within the department in budget execution, and in the standard general ledger to develop DOI specific training in budget execution and in the standard general ledger.
- WASC will look to expand the training provided in FY 1998.

Planned Actions for 2000 and Beyond

The Department will look to expand the training and development program over the next five 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 accounting, governmental accounting, budgeting, financial analysis, team building, and problem solving techniques.

Depending on the availability of adequate and appropriate funding, the following initiatives will be implemented:

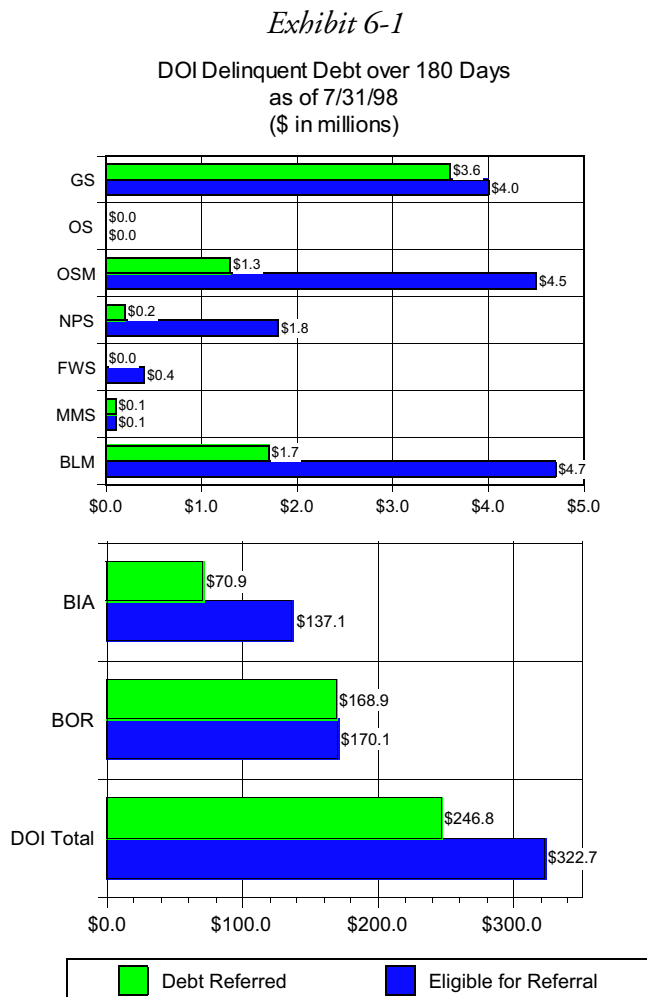
- Develop financial management training for non-financial managers. Projected completion date is FY 2000.
- Develop a core curricula for technical and clerical personnel within financial management. Projected completion date is FY 2001.
- Develop an activity specific curriculum and training that meets the needs of the Department and its bureaus. Projected completion date is FY 2002.
- Develop a formal process using the Individual Development Plans (IDP) to ensure financial management personnel receive cross training. Use the certification component of the Financial Management Training and Development Program to ensure department bureau finance and budget officers cross train and cross utilize financial management managers and staff. Projected completion date is FY 2003.
- Partner with the CFO Human Resources Committee to recruit top quality entry level personnel for the department's financial management community. Completion date is dependent on the Human Resource Committee implementing the recruiting program.
- Work with nonprofit student placement agencies, the department's Human Resource Division, and budget office to recruit junior persons to internship positions in financial management. Project completion date is FY 2003.
- Work with OPM and the department's Office of Personnel Management to establish the CFO Council's Core Competencies for financial management as the criteria for job selection, promotion, and training. Projected completion date is FY 2003.

CHAPTER 6. IMPROVING MANAGEMENT OF RECEIVABLES

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

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

Exhibit 6-1 summarizes Department and bureau-level performance as of July 31, 1998:



Planned Actions for 1999

- Continue aggressive collection efforts to meet stated goals.
- Ensure that bureaus refer at least 90 percent of all eligible delinquent receivables over 180 days old to the Department of the Treasury for collection via cross-servicing and/or offset.

Planned Actions for 2000 and Beyond

- Continue aggressive collection efforts to meet stated goals.
- Ensure that bureaus refer 100 percent of all eligible delinquent receivables over 180 days old to the Department of the Treasury for collection via cross-servicing and/or offset.

Evaluating User Fee and Cost Recovery Activities

The Department operates a substantial user charge program. Annually, the Department collects fees of approximately \$500 million from approximately 100 cost recovery activities, and approximately \$5 billion from other fee activities including royalties, rents, and bonuses related to minerals, timber, and other uses of Federal lands. Since FY 1993, cost recovery has increased by \$150 million. Based on biennial reviews, the Department maintains a data base of user charge activities for approximately 200 activities. The data base includes descriptions of the activities, estimated annual collections, pricing structure, legal authority, contact personnel, and other pertinent information.

The Department conducted the third biennial review of all user charge activities in accordance with the CFO Act in FY 1998. It should be noted that the National Park Service, Fish and Wildlife Service, and Bureau of Land Management under the Omnibus Consolidated Rescissions and Appropriations Act of 1996 were authorized to develop new and expanded fee collection sites as part of a three-year recreation fee demonstration program. The purpose of the demonstration program is to explore the feasibility of collecting additional user fees to offset the costs to administer recreation on Federal public lands. The new fees will be used primarily to address the repair and maintenance backlogs in the participating parks and sites.

Planned Actions for 1999, 2000 and Beyond

- Review user charge activities and recommend action, as appropriate, to recover relevant costs as appropriate. The Department will continue collaborative efforts both inter- and intra-departmental regarding implementation of the Managerial Cost Accounting Standard, SFFAS No.4.
- Update the Departmental Manual to reflect the latest changes to OMB Circular A-25 and implementation of SFFAS No.4.

CHAPTER 7 - ENSURING MANAGEMENT ACCOUNTABILITY AND CONTROL

The Department believes that by maintaining integrity and accountability in all programs and operations, it can promote good government, responsible leadership, sound management in the delivery of services to customers, and achieve desired program outcomes. As a result, the Department has developed and implemented management, administrative, and financial system controls which reasonably ensure that:

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

Further, the Department has developed and implemented an effective audit follow-up program which ensures that audit recommendations are addressed and implemented in a timely manner to maximize the efficiency and effectiveness of programs and operations, and that disallowed costs and other funds owed the Government are collected and or offset when due.

Management Controls

The Department's goal is to ensure that a sound system of management controls exists in all programs, organizations and functions that meets the requirements and intent of OMB Circular A-123, and to implement an approach to assessing management controls that integrates other management improvement initiatives.

Provided Reasonable Assurance Objectives Were Met

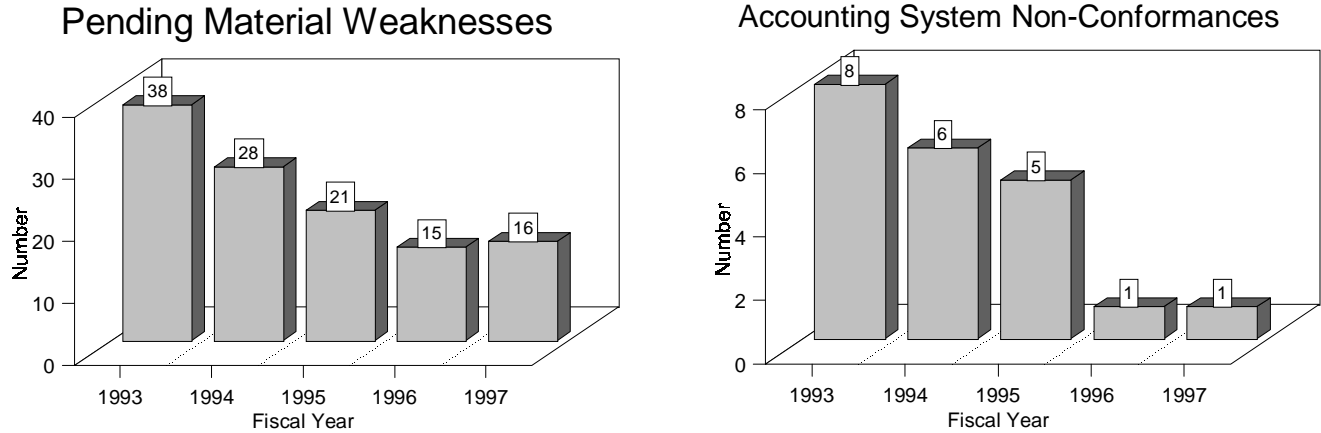
For FY 1997, Secretary Babbitt was able to provide reasonable assurance to the President and the Congress that the Department's systems of management, accounting and administrative controls, taken as a whole, achieved the objectives of Section 2 of the FMFIA, and that its accounting and financial systems generally conformed with governmentwide standards and achieved the objectives of Section 4 of the FMFIA.

Corrected Material Weaknesses and Accounting System Non-Conformances

The Department has continually evaluated the effectiveness of the management controls in its programs, organizations and functions in accordance with OMB guidelines. Over the years, the Department has identified and reported 162 material weaknesses and 64 account-

ing system non-conformances. The Department has corrected 146 of the total reported material weaknesses (90 percent) and 63 accounting system non-conformances (98 percent). Much of the progress in these areas was recently achieved as noted in *Exhibit 7-1*.

Exhibit 7-1



Identified Mission Critical Weaknesses and Accelerated Corrective Action Plans

In response to OMB guidance, the Department identified 7 of its 16 pending material weaknesses at the end of FY 1997 as “mission critical weaknesses” — those material weaknesses that prevent the Department from fulfilling a programmatic mission or strategic goal, and that warrant senior management focus and attention, and resource priorities throughout to achieve timely corrective action. Collectively, the seven mission critical weaknesses facing the Department (*see Exhibit 7-2*) could adversely impact the safety of employees and other citizens, damage the environment, prevent the collection and distribution of royalties and other funds owed to the Government and Native Americans, and preclude the identification, collection, and preservation of irreplaceable historical art and artifacts.

Exhibit 7-2

Mission Critical Material Weaknesses		
Title of Material Weakness	Bureau	Targeted Correction Date
Inadequate Management of Trust Funds	OST	FY 2003
Inadequate Records Management	BIA	FY 2000
Inadequate Range Monitoring	BLM	FY 2000
Failure to Effectively Inspect and Enforce Fluids Minerals	BLM	FY 1998
Lack of Accountability and Control Over Artwork and Artifacts	PAM	FY 1999
Irrigation of Ineligible Land	BOR	TBD
Needs Assessment and Cost of Constructing New Housing	NPS	FY 1999

The Department recognizes the importance of correcting these mission critical weaknesses in a timely manner. Corrective action plans with key milestones, target dates, and accountable officials have been established and corrective action progress will be continuously monitored by officials in each cognizant bureau or office. In addition, the semiannual progress review meetings will be held with the staff of each cognizant bureau, the OIG and the Department's CFO.

Pilot Tested the Automated Approach to Management Control Assessments

In 1997, the Department's Management Control Re-engineering Lab recommended the adoption of a new management control program model supported by a contemporary, fully-automated approach for conducting and reporting the results of management control assessments. The approach uses eight management integrity measures and a comprehensive questionnaire to assess management control effectiveness. The assessment is accomplished using the E-Mail network, and a state-of-the-art analytical software tool. A unique feature of this new approach is that it provides for the identification of areas of both potential material deficiencies and best practices.

The approach was pilot tested in one bureau during 1997, and the results exceeded expectations. Compared to a traditional management control assessment, the new automated approach saved over 90 percent of the staff days consumed in planning, conducting, processing and reporting the results of the assessment; avoided travel costs; and, identified one area of potential material weakness and one area of best practice which were not previously detected. To further validate the efficiency and effectiveness of the new approach, 13 additional pilot tests were conducted in all other bureaus during FY 1998. Preliminary results of the 1998 pilot test program were consistent in all respects with the 1997 pilot test results.

Streamlined and Strengthened the Management Control Program

Similarly, over the last four years, the Department has made great strides in streamlining and strengthening its management control program. The initiatives and innovations in this program area supported the recommendations in the National Performance Review, and the direction and intent of the June 1995 revision to OMB Circular A-123, Management Accountability and Control. Some of the more significant initiatives included:

- Expanding the membership in the Departmental Management Control Audit follow-up Council (MCAF) to provide a more "Departmental perspective" to Council deliberations and decisions.
- Implementing the recommendations of the Department's Management Control Re-engineering Lab and pilot testing an automated approach to conducting and reporting management control assessments.
- Reducing the number of Department mandated management control reviews by 80 percent.

- Amending the Department's material weakness criteria to be consistent with the intent of revision to OMB Circular A-123.
- Developing and implementing a Material Weakness Corrective Action Project Management Training Program to improve the quality, timeliness and effectiveness of corrective actions.

The cumulative effect of these initiatives has been a 50 percent reduction in burden and improved efficiency and effectiveness in administering bureau and office management control programs.

Accountability Report

The Department was approved by OMB to participate in Accountability Report Pilot Program beginning in FY 1996. The pilot program allows agencies to merge several financial management statutory reports into a single Accountability Report in order to streamline reporting, save staff time and provide better information to the President and Congress. All of the information previously reported in the Secretary's FMFIA Annual Report, the Secretary's Semi-Annual Report on Audit Follow-up, CFO Act Annual Report, and Civil Monetary Penalties and Prompt Payment Act Reports were condensed into the Department's first Accountability Report resulting in concise narrative and statistical report which meets all statutory requirements. The Department was recognized for its excellence in preparing the 1996 Accountability Report and initial feedback from reviewers and users of the 1997 Accountability Report indicate it is superior in all respects to the first report.

Audit Followup

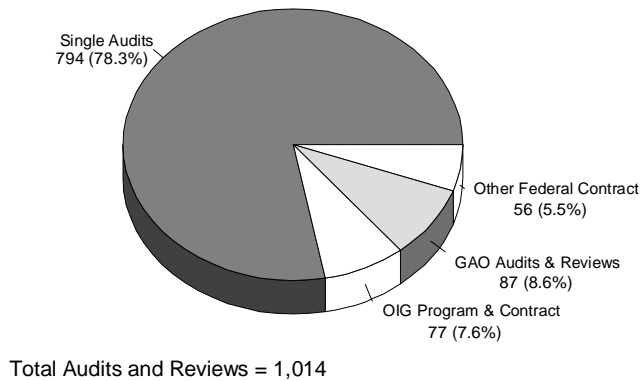
The Department's goals are to ensure that audit recommendations that are designed to improve the efficiency and cost-effectiveness of programs and operations are implemented in an expeditious manner, and that disallowed costs and other funds owed to the Department which are identified in audits are collected and or offset within reasonable or statutory timeframes. The Department's audit follow-up workload for the most recent fiscal year is shown in *Exhibit 7-3*.

Improved Rate of Management Decisions on Single Audits

The Department provides over \$1 billion each year in funding for grants, cooperative agreements, Indian Self-Determination contracts, and Self Governance Compacts to State and local governments, Indian Tribes, colleges and universities and other non-profit organizations. Over 800 single audits are conducted of Department grantees in 1997. Where necessary, single audit reports are forwarded to the OIG and bureaus working with the grantees to resolve deficiencies identified in the audit reports, and to determine the allowability of any expenditure of Federal funds which have been questioned by the auditor. During 1997, the Department was successful in closing 75 percent of all single audits referred for action.

Exhibit 7-3

Audit Workflow

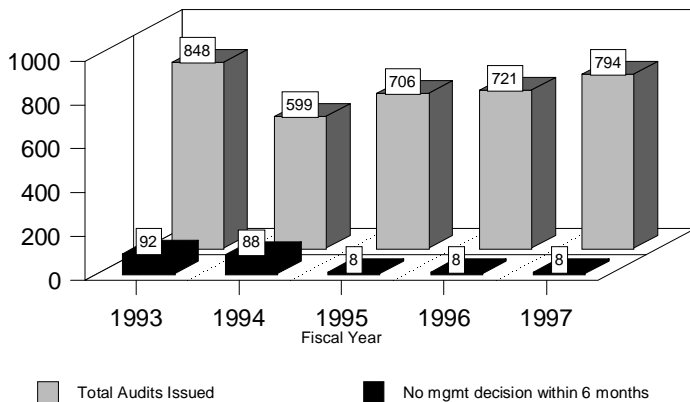


Single audit management decisions are expected to be agreed to within six months from receipt of the audit report. If an audit results in disallowed costs, bureaus are responsible for collecting the disallowed costs from the grantees. The Department made significant strides in reaching timely management decisions on single audits. In 1997, only eight single audits had management decisions which were not made within six months — or about one percent of the total single audit reports received (see Exhibit 7-4). Similar progress is expected for FY 1998.

Exhibit 7-4

Single Audits Issued

With No Management Decision Within 6 Months



Collected and Offset Disallowed Costs in Single Audits

The Department has made good progress in collecting and closing audits with disallowed costs. During the most recent fiscal year, 24 audits were closed (60 percent) and \$1 million in disallowed costs were collected (56 percent).

Improved the Closure Rate of Internal Audits

Internal audits are audits conducted by the OIG of the programs, organizations, financial and administrative operations of the Department. One category of internal audits are those audits where the OIG presents recommendations where funds can be put to better use (FBU audits). The Department made significant progress in implementing recommendations and closing FBU audits during the most recent fiscal year. Of the 70 FBU audits pending during that year, a total of 18 audits (25 percent) were closed. The audits closed involved \$2.2 million of FBU funds.

Reached Timely Management Decisions on Internal Audits

The Department has made steady progress in reducing the number of pending internal audits with unimplemented recommendations greater than one-year old. Audits in this category have declined by approximately 67 percent (15 to 5 audits) since 1992. Those audits still pending involve recommendations with long-term and multi-faceted corrective actions, or require statutory changes.

Improved Implementation Rate of GAO Audit Recommendations

General Accounting Office (GAO) audits are a major component of the Department's audit followup program workload. During the most recent fiscal year, 87 GAO audits were initiated within the Department and resulted in 32 final audit reports. The final reports contained 24 recommendations of which 16 (or 67 percent) were implemented by the end of the year. The remaining recommendation involves an action that appears to be cost prohibitive.

Planned Actions for 1999

- Complete corrective actions on 5 of 12 remaining material weaknesses.
- Assist bureaus in implementing the new automated approach for conducting management control assessments.
- Continue to improve on the rate of implementing timely management decisions, collecting disallowed costs and closing internal, single and GAO audits.
- Develop and implement a single, integrated OIG/GAO audit data base to track planned and pending audit progress, and monitor and update progress in implementing audit recommendations.

Planned Actions for 2000 and Beyond

- Complete corrective action on all pending material weaknesses and accounting system non-conformances, and ensure that other material weaknesses are promptly identified, reported to senior management and corrected.
- Conduct in conjunction with the Department's Administrative Service Centers a feasibility study to provide technical guidance and support to other Federal agencies in using the new automated management control assessment approach.

CHAPTER 8. MODERNIZING PAYMENT PROCESSING AND BUSINESS METHODS

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

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

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

Improving Collections and Cash Receipts Processing

Due to the Department's substantial revenue-producing activities, efforts have focused on improving collections and processing/depositing of cash receipts rapidly. A key emphasis of the Department's cash management program has been to accelerate cash receipts by requiring payments via wire or electronic transfer. In addition to using electronic transfers, the Department has worked cooperatively with Treasury to establish several lockbox systems and plastic card collection networks to collect timber fees, abandoned mine land fees, water sales, park entrance fees, construction cost repayments, and state and local government reimbursements. Moreover, the Department is working to increase collections by referring all eligible delinquent debt to Treasury for cross-servicing and/or offset (see Chapter 6 for additional information). Cash management savings of \$85 million have resulted from 1983 projected through the end of FY 1998 by using new cash management techniques.

Planned Actions for 1999

- Based on the results of the third biennial (CFO Act) review of user charges in 1998, high priority candidates for improved fee collection and cost recovery will be identified, and targeted for implementation in FY 1999.
- Existing user charge cost structures will be modified, as necessary, to comply with SFFAS No. 4 requirements.

Planned Actions for 2000 and beyond

- The Department will pilot test one or more “smart card” applications at sites having a large volume of visitors, to improve service to our taxpaying customers, and to improve the efficiency of the existing collections process.

Improving Payment Processes

In performing its basic missions, the Department of the Interior annually processes over 2 million (non-payroll related) payments, which account for expenditures in excess of \$2 billion each year to organizations that provide products and services to the Department. Collectively, these payments cover a broad range of payment categories (i.e., payments to vendors, payments to other Federal agencies, reimbursements, grants, contracts, purchase orders, etc.), and involve an equally broad—and growing—array of available payment mechanisms—which include Treasury checks, third party drafts, imprest fund cash disbursements, electronic funds transfers, charge cards, and so forth.

In recent years, payment processes have been positively impacted by technological advances. Since 1994, the Department has been an active participant in the Governmentwide Electronic Commerce Pilot Program, and has developed capabilities that will allow the Department to fully capitalize on this promising technology once Governmentwide standards are in place.

The Department has embraced the use of plastic card technology. The Department expects to use charge cards in excess of \$400 million annually. The Government wide Charge Card contract, administered by the General Services Administration, was rebid in FY 1998. The Department expects substantial future growth in charge card use, which will further reduce the number of check payments made. This additional growth is expected to continue into 1999 and beyond, as the Department implements a new master contract for charge card services with NationsBank.

During FY 1998, bureaus updated plans to comply with Debt Collection Improvement Act (DCIA) requirements. The Department has established an electronic funds transfer tracking system to measure progress in increasing the number of payments made electronically as required by the DCIA. The Department has also initiated periodic performance reporting to measure each bureau's progress. Further, the Department is making a concerted effort to eliminate imprest funds where practical so that virtually all payments will be made electroni-

cally after January 1, 1999. *Exhibit 8-1* summarizes current status of electronic payments in the areas of vendor and miscellaneous payment as of June 30, 1998.

Exhibit 8-1

**Electronic Funds Transfer Report
(as of 6/30/98)**

Vendor Payments										
	DOI	BIA	BLM	BOR	FWS	GS	MMS	NPS	OS	OSM
Year To Date	22.99%	7.46%	40.00%	41.75%	15.01%	36.29%	80.50%	9.59%	60.96%	60.32%
Current Month	28.21%	7.99%	56.75%	43.48%	20.25%	42.15%	89.09%	13.15%	69.16%	62.61%

Miscellaneous Payments										
	DOI	BIA	BLM	BOR	FWS	GS	MMS	NPS	OS	OSM
Year To Date	52.06%	22.93%	59.11%	26.92%	60.00%	64.48%	83.25%	17.01%	80.87%	91.26%
Current Month	57.65%	26.32%	60.48%	39.19%	64.78%	71.20%	97.15%	19.12%	85.63%	92.88%

Planned Actions for 1999

- Coordinate with Procurement Offices to enroll vendors for electronic funds transfer payments.
- Develop alternative payment methods (e.g., charge cards).
- Require that any paper check payment request after January 1, 1999 must have appropriate waivers.
- Continue to review its imprest fund operations in order to eliminate as many funds and practicable, and obtain appropriate waivers for those funds that must continue.
- Capitalize on the opportunities accorded by technological advances and best practices, the Department plans to launch a work group in 1999 to standardize and streamline existing payment processes; to improve the levels of service provided to customers (i.e., program managers, vendors, etc.); to reduce the direct and indirect costs of processing the payments; and to improve the Department's performance on based on information obtained through benchmarking.

The implementation of GSA's SmartPay Program in November, 1998 will create substantial new opportunities for the Department in terms of :

- Implementing an integrated card solution for the purchase, travel, and fleet business lines under GSA's new "SmartPay" program.
- Outsourcing the responsibility for transaction processing to NationsBank.
- Providing web-based access for transaction information to our 40,000 plus card holders.

- Consolidating the account setup and maintenance functions for the travel, purchase and fleet business lines.
- Automating the reconciliation process for centrally-billed transportation accounts.
- Developing an automated interface for all charge card transactions to the Department's accounting systems.
- Developing the necessary electronic exception reports to preserve the financial integrity of programs.
- Establishing a "daily pay" capability.
- Making web-based electronic commerce available to all remaining major purchasing offices in FY 1999.
- Continuing efforts to implement the electronic payment requirements of the Debt Collection Improvement Act of 1996.
- Participating in the Government-wide effort to standardize Federal grant payment systems.

Planned Actions for 2000 and Beyond

After the integrated charge card program is fully implemented, it is anticipated that substantial additional opportunities for further streamlining and re-engineering administrative functions will be provided. Possible areas are expected to include:

- Opportunities to further streamline payment functions through additional outsourcing.
- More extensive use of electronic malls for purchasing.
- Further streamlining of the travel process through direct payments.

Improving Performance Under the Prompt Payment Act

In January 1997, a Departmentwide team was formed to improve prompt payment performance. Each bureau of the Department prepared a plan that (1) identified the problems that impacted their prompt payment performance; (2) listed corrective actions; and (3) provided a time table for reaching the Department's goal. To measure the progress, bureaus are submitting monthly progress reports to the Department's Office of Financial Management.

After analyzing the payment process, four areas were identified as essential to making significant improvement. The areas identified were reviewed and discussed on a Departmentwide basis with the sharing of best practices. The areas identified were as follows:

- Reporting, Consistent Application Among Bureaus; Prompt Pay Data Analysis; Quality Control Checking/Reporting.
- Guidelines; Training.
- Identify Specific Large Dollar Volume Vendors; Vendors With Recurring Payments, and/or Opportunities for Fast Pay.
- Process Improvement (includes front-end procurement processing, communication between Procurement and Finance, and remote data entry.

As a result of these efforts prompt payment performance has improved for the Department, the percentage of payments requiring interest penalties decreased from 12.7 percent for the first half of FY 1996 to 7.1 percent for the first half of FY 1998. The chart and graph on the next page (*Exhibit 8-2*) summarizes current prompt payment performance by Interior bureaus.

Planned Actions for 1999

- The Department will continue to closely monitor bureau performance until the goal of performing at least the government wide average level of 3 percent.
- The Bureau of Indian Affairs is accelerating its implementation of remote data entry of payment data (from field offices). Remote data entry has shown tremendous progress on payments in the areas already implemented. BIA has the highest interest penalties in the Department and represents a significant share of the Department's total payment volume. Once remote data entry is fully implemented, this will drive the overall interest penalties down and with other improvements in the payment processes the Department should reach or exceed its goal.

Planned Actions for 2000 and beyond

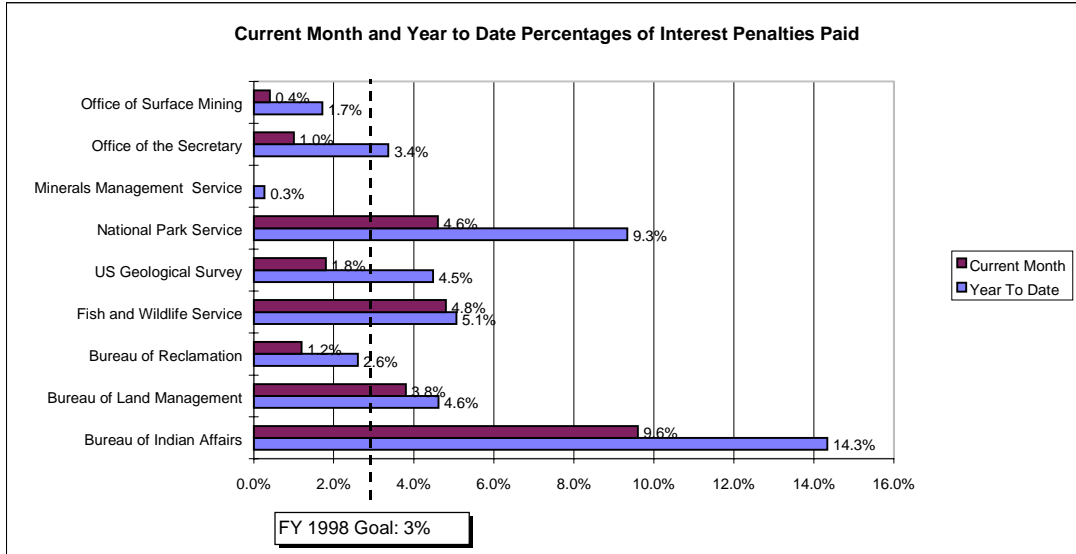
- Quarterly prompt payment reports will be prepared by the bureaus to monitor their performance. If any results are unsatisfactory, the Department will take corrective actions.
- Monthly progress reporting of interest penalties for the bureaus that do not achieve a rate of 3 percent or less for payments requiring interest penalties.
- Reduce the number of interest penalties by increasing the use of purchase cards and paying more invoices under "Fast Payment" procedures.

Streamlining Travel Processes

In 1996, the Department's CFO chartered a Department wide 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 sub-

Exhibit 8-2

Department of the Interior
 Prompt Pay Report
 For the Period October 1, 1997 through July 31, 1998



	Invoices Paid	Interest Penalties Paid	Amount of Interest Penalties Paid	Average Amount of Interest Penalty Paid	% of Interest Penalties Paid	
Bureau of Indian Affairs	55,205	7,912	\$307,787	\$39	14.3%	
Bureau of Land Management	52,652	2,430	\$41,411	\$17	4.6%	
Bureau of Reclamation	27,484	715	\$32,328	\$45	2.6%	Goal Exceeded
Fish and Wildlife Service	52,333	2,651	\$65,102	\$25	5.1%	
US Geological Survey	68,905	3,088	\$96,350	\$31	4.5%	
National Park Service	101,440	9,471	\$204,231	\$22	9.3%	
Minerals Management Service	10,423	28	\$543	\$19	0.3%	Goal Exceeded
Office of the Secretary	9,450	318	\$5,063	\$16	3.4%	
Office of Surface Mining	9,139	157	\$2,041	\$13	1.7%	Goal Exceeded
Total	387,031	26,770	\$754,856	\$28	6.9%	

Note: MMS does not report monthly due to sustained achievement of goals. The data represents the period 10/1/97 through 6/30/98.

stantially 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 five 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.

In the Department’s CFO Council, Management Council, and FOP endorsed the findings and recommendations of the Travel Lab. The final Report of Travel Lab Findings and Recommendations was published in January, 1997. Department wide savings from travel process improvements were projected to be \$7 million annually. Final guidelines for implementing Travel Lab recommendations were published in February, 1997.

The responsibilities for implementing the recommended travel process changes were assigned to the FOP in 1997, which also agreed to monitor implementation progress. By November, 1997, the substantive provisions of the Travel Lab recommendations were implemented in most bureaus. This included the widespread use of limited open travel authorizations, delegating the authority for authorizing and approving travel to first line supervisors, and promoting the use of electronic payment mechanisms.

Planned Actions for 1999

- Continue reporting and monitoring progress in implementing travel process recommendations in all bureaus.
- Identify new opportunities for further streamlining the travel process associated with the implementation of the new integrated charge card program.
- Complete assessment of travel system options, and recommend form of automated travel system for Departmentwide use.

Planned Actions for 2000 and Beyond

- Implement a Departmentwide travel system that makes maximum use of electronic means for capturing, approving, and reporting travel cost elements.

Cost Accounting

The Department performs a significant number tasks on a reimbursable basis including interagency agreements, agreements with State and local jurisdictions, Franchise Fund, Working Capital Fund and user charge activities. Coupled with the advent of the Government Performance and Results Act, full cost accounting was a major focus for FY 1998. A Departmentwide Cost Accounting Work Group was established to pursue with implementation of SFFAS No.4 in FY 1998 and beyond. Further, preliminary cost accounting policies were issued related to FY 1998 financial statements. This policy document will be updated as further policy issues arise.

Managing cost is also important to the Department. The Department continues efforts to control unemployment compensation costs. 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. Projected program savings net of contractor costs for FY 1998 are \$1.6 million. Cumulative net savings since the inception of the program in 1986 are \$21.5 million.

Planned Actions For 1999

- Issue updated cost accounting policy guidance addressing compliance with FASAB managerial cost accounting standards related to (1) financial statement reporting and (2) operations/managerial cost accounting.
- Concentrate efforts on internal reporting for managerial cost accounting information/reporting in support of GPRA requirements. Some realignment of allocations for direct and indirect may be required.
- Continue the Departmental effort to control unemployment compensation costs through the use of a contractor.

Planned Actions for 2000 and Beyond

- Improve cost accounting policies and procedures related to fees charged for services in the Department.
- Review the alignment of budget, cost accounting and GPRA requirements to further improve the reporting of cost information.

Shared Service Operations

The Department provides commonly required administrative products and services to Interior and non-Interior clients through three service centers and one service provider. They are the Washington Administrative Service Center (WASC) operated by the U.S. Geological Survey, the Denver Administrative Service Center (DASC) operated by the Bureau of Reclamation, the Interior Service Center (ISC) operated by the Office of the Secretary, and Minerals Management Service's (MMS) Office of the Associate Director for Administration and Budget. These organizations are proven alternatives for agencies that wish to reduce costs associated with administrative systems and support services, achieve economies-of-scale, and produce operating efficiencies.

Washington Administrative Service Center - The WASC is currently providing services related to the: Federal Financial System (FFS); Fixed Assets and Inventory Subsystems; Interior Department Electronic Acquisition System (IDEAS); Federal Procurement Data System (FPDS); Automated Vacancy Announcement and Distribution System (AVADS); Electronic Commerce; Federal Electronic Time and Attendance System (FETA); Mainframe Time Sharing; World Wide Web Publishing; and Accounting Operations including consulting type ac-

counting services such as operational reviews, requirement analysis, Treasury reporting, training, and quality assurance.

Denver Administrative Service Center - Products and services provided by the DASC are primarily in the areas of payroll and personnel, accounting, automated systems, quarters management, and training. The new Federal Personnel Payroll System (FPPS), which recently replaced the PAY/PERS System, is being implemented in all Interior bureaus and non Interior clients. By the end of FY 1998 all but two bureaus will have converted to the FPPS. FPPS provides users with a modern, on-line database management system that fully integrates payroll and 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 time-sharing, rental rate-setting for government quarters, and training.

Interior Service Center - The ISC provides transportation and travel services such 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 provides training and development services through four learning centers, including consultation on training needs and use, alternatives to training, program design, and a thriving, hands-on re-engineering training practice. The ISC also provides a full array of financial management services including budget execution with administrative control of funds, payments, collections, reconciliations, and management and regulatory reporting.

Minerals Management Service (MMS) Services - Services offered by MMS under the IFF fall into three major categories. In the area of procurement support services, MMS provides a complete range of procurement services from inception to closeout (i.e., request for proposals through closeout of contracts). With regard to the human resources arena, MMS performs as a "full service" third party personnel office with management support services like classification, recruitment, appraisal and awards management, employee/labor management relations, and employee development. MMS also maintains, configures, and operates an Information Technology Training Facility which may be used by other agencies on a fee-for-service basis. Beginning in FY 1998, MMS became the lead agency for the Denver Cooperative Administrative Support Unit (CASU).

Interior Franchise Fund - In 1996 the Department was designated by OMB as one of the franchise fund pilots under the Government Management Reform Act (GMRA). Currently, the WASC, the ISC, and MMS offer services through the Interior Franchise Fund (IFF). These organizations, along with the DASC, operate in an entrepreneurial environment, cross-servicing bureaus and other agencies through interagency agreements. Their mission is to provide cost effective administrative systems and related support services as well as administrative operations that are responsive to customer needs. Today, these organizations provide support to over 90 customers in the following areas:

- Procurement, personnel and payroll management, property management, and financial management systems and support services.
- General purpose mainframe computer timesharing services, electronic commerce, and World Wide Web services.
- Operational support services, such as accounting, procurement, payroll and personnel operations.

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.

Planned Actions for 1999

- Development of marketing strategies for the future, with a focus on agencies with budgetary pressures, dated technology, year 2000 compliance issues, and JFMIP CORE accounting compliance issues.
- Improve customer satisfaction and the quality of products and customer services by asking existing customers what the IFF can do better and how, with lessons learned being incorporated into future tactical plans.
- Consolidate the WASC, ISC and DASC Administrative services operations into one organization to better service the Department of the Interior clients and other non Interior clients.

Planned Actions for 2000 and Beyond

- Explore new products and services, initiation of "R & D" activities aimed at leveraging cutting-edge technologies, and competitive benchmarking will be performed to enable IFF to position itself to take maximum advantage of future opportunities.
- Provide customers with the opportunity to choose from a wide range of administrative and general support services in the near term, and ultimately "one-stop" shopping for most commonly required administrative services.
- Draft customer service level agreement which, along with the reimbursable agreement, will provide customer quality level assurances and appropriate guarantees if that quality is not achieved.

Improving Electronic Communication

The Office of Financial Management (PFM) has embraced the Internet as an efficient and cost-effective means to electronically publish and disseminate critical financial management information to customers. In March, 1996, PFM introduced a World Wide Web Home Page on the Internet (www.doi.gov/pfm). The development of the home page (*Exhibit 8-3*) and use of the Internet represents one of PFM's efforts to use information technology to streamline financial services. Currently, PFM's web site comprises approximately 2,700 files and includes the following information:

Exhibit 8-3



- PFM Organization and Directory
- Financial Administration Memoranda
- Departmental Reports
- Bureau Reports
- Financial Statements
- Management Accountability and Control
- Travel
- Financial Management Training Courses and Events
- Other Resources
- Links to Other Financial Management Web Sites

To increase customer use and enjoyment of its Web site, the Office of Financial Management has implemented a number of improvements and enhancements including:

- Revising the graphical user interface to facilitate navigation of the PFM web site.
- Adding Web server data that track most frequently visited PFM pages, most frequently downloaded documents, weekly/monthly hits, and other useful log statistics.
- Publishing the Department's 1997 Annual Accountability Report in PDF (Portable Document Format) and HTML (Hypertext Markup Language) formats.
- Publishing the Department's 1997 Financial Management Status Report and Strategic Plan in PDF and HTML formats.
- Publishing speaker presentations and highlights from the 1998 Program and Financial Management Conference.
- Publishing other financial management documents as required (e.g., training, travel, policy documents, management accountability and control, financial statements, relocation).
- Updating links to related financial management sites (e.g., budget documents, bureau annual reports, strategic plans, annual performance plans).

Planned Actions for 1999 and Beyond

- Publish the Department's 1998 Accountability Report.
- Publish the Department's 1998 Financial Management Status Report and Strategic Plan.
- Develop document search capability for the PFM web site.
- Develop an intranet for the Office of Financial Management.
- Work closely with FinanceNet to improve the delivery of government services by reducing sales and information distribution costs. As a member of FinanceNet's Technical Working Group, PFM works in partnership with other Federal financial management offices to facilitate access to government information.
- Expand the use of advanced technology to reduce/eliminate paper driven inputs/outputs.

CHAPTER 9. PROVIDING 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 useable 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.

The Department has developed a data stewardship function by assigning one individual within PFM to focus on data stewardship functions. That person manages the Department-wide data definition process, monitors data creation and captures 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.

The Finance Officers' Partnership chartered the Standard Accounting Classification Advisory Team 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. The PFM data stewardship person is a member of the SACAT. The following activities were undertaken to enhance data integrity throughout the Department during FY 1998:

- Reviewed and analyzed inter-bureau accounting transactions and formulated elimination entries for the Department's FY 1997 consolidated financial statements.
- Added accounts to the Department's SGL Chart of Accounts to accommodate accounting and reporting requirements for several FASAB standards.
- Ensured that the Department-wide SGL incorporated all of the accounts in the United States Standard General Ledger and enables all of the bureaus to implement the reporting requirements of the FASAB standards.
- Developed additional posting models and FFS and ABACIS tables to accurately record all bureau accounting transactions.
- Six bureaus implemented the revised SGL to be in compliance with the new FASAB and Treasury requirements. The remaining three bureaus will complete their conversion for the beginning of fiscal year 1999.

Planned Actions for 1999

- Prepare the fiscal year 1998 Departmental consolidated financial statements based on the revised SGL account structure.
- Participate in the Governmentwide Elimination Entries Working Group to develop strategies and procedures to be applied by all Departments to identify and prepare proper intra-Department elimination accounting entries for the Governmentwide Consolidated Financial Statements.
- The Department will work with OMB and Treasury to test a data model (FACTS II) for Federal agencies to report financial and budget data.
- The SACAT will work closely with the Decision Support System/Executive Information System (DSS/EIS) Team to ensure pertinent information is delivered to executives for decision making.
- The Department will determine how to best use the reporting process to support performance reporting under the GPRA and the preparation of the annual accountability report.

Planned Actions for 2000 and Beyond

- 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.
- Establish feedback procedures on data definition, and usage to identify and resolve data definition issues relating to bureau, Department, or Federal government user requirements.
- Develop a data integrity management control review.
- Develop standards for transaction level interfaces.
- Determine how the information technology and user communities can best coordinate their efforts to standardize data requirements.

CHAPTER 10. IMPROVING ADMINISTRATION OF FEDERAL ASSISTANCE PROGRAMS

Background

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

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

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

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

Continued Efforts for Improvement

As required by revisions made to OMB Circulars as well as statutory provisions, the Department will continue to implement any policy changes in the administration of awards made.

The Department is an active participant in the Inter-Agency Electronic Grants Committee and is a partner in the U.S. Electronic Grant Pilot Project. Through this effort the Department is helping to develop an electronic system which will improve the grants process through the use of electronic commerce.

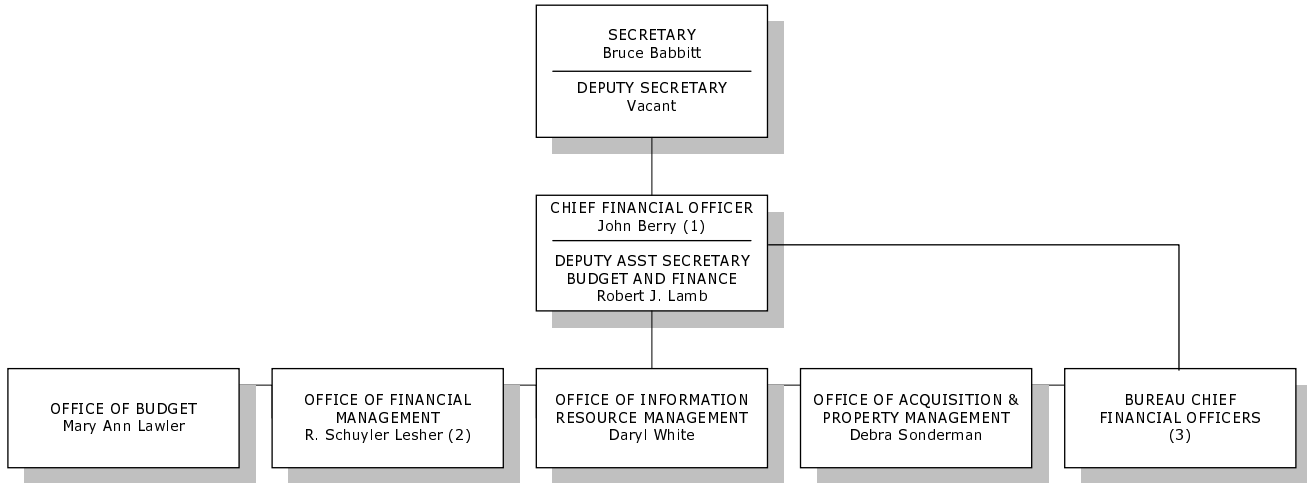
The Department, with input from the Interior Federal Assistance Working Group, has begun the implementation process for the recommendation from the CFO Council Committee on Grants Management and the Sub-Committee on Cash Requests to reduce the number of payment systems being used by grantees.

Planned Actions for 1999, 2000, and Beyond

- Participation in the U.S. Electronic Grant Pilot Project will continue.
- Implementation of the recommendation for fewer grant payment systems will continue.
- Implementation of the proposed Grants Management Professionalism Career Management Program will begin.

As required, further implementation of changes in OMB Circulars, statutes, and regulations, regarding the administration of awards made will be done.

Department of the Interior
Chief Financial Officer
Organization



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

ORGANIZATION

Chief Financial Officers and Deputy Chief Financial Officers

John Berry, Chief Financial Officer, DOI	Bob Brown, Acting Chief Financial Officer, MMS
Robert J. Lamb, Deputy Assistant Secretary - Budget and Finance, DOI	Don Matheson, Deputy Chief Financial Officer, MMS
R. Schuyler Leshner, Deputy Chief Financial Officer, DOI	Hilda Manuel, Chief Financial Officer, BIA
John Rogers, Chief Financial Officer, FWS	Nancy Jemison, Acting Deputy Chief Financial Officer, BIA
Paul Henne, Deputy Financial Officer, FWS	Bruce Scheaffer, Acting Chief Financial Officer, NPS
Barbara Ryan, Chief Financial Officer, USGS	Jon Shrum, Acting Deputy Chief Financial Officer, NPS
Martin Eckes, Deputy Financial Officer, USGS	Stephen Magnussen, Chief Financial Officer, BOR
Tim Calkins, Deputy Financial Officer, USGS	Kathy Gordon, Deputy Chief Financial Officer, BOR
Nina Hatfield, Chief Financial Officer, BLM	Bob Ewing, Acting Chief Financial Officer, OSM
Roger Hildebeidel, Acting Deputy CFO, BLM	Stan Dunn, DASC
	Dick Comerford, WASC

FINANCE OFFICERS' PARTNERSHIP

Member	Coordinator	Bureau/Office
George Keller, Chair	Vacant	MMS
Karen Baker, Associate Chair	Sheila Smith	OS
Art Ray	Vacant	BIA
Vacant	Mike Horst	BLM
Efraim Escalante	Sandi Inglefield	BOR
Dave Holland	Art Ford	FWS
Jon Shrum	John Madigan	NPS
JoAnn Hagan	Leslie Peabody	OSM
R. Schuyler Leshner	Clarence Smith	PFM
Jack Blickley	Deborah Sykes	USGS
Doug Lords	Jerry Harjo	OTFM

FINANCE OFFICERS' PARTNERSHIP

The Finance Officers' Partnership (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 (see 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.
- 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, Personnel/Payroll, 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 are made through the Director of Financial Management (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 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 reports to the FOP. The SACAT also functions under the FOP. The work of the SAB and SACAT covers both the FFS and ABACIS bureaus. The FOP selects the 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 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.

High Priority Projects and Project Action Teams

The FOP reviews recommendations presented by the CFO Council, PFM, or the bureaus. The Washington and Denver ASCs also develop Management Action Plans as appropriate. The FOP prioritizes the projects and recommends project initiative teams to PFM. Upon approval of a project, a Project Action Team (PAT) prepares a Project Scope Statement which defines the project objectives, target completion dates, dependencies and assumptions, and major milestones.

The FOP's original Management Action Plan (MAP) addressed 15 PATs for immediate action. Since the publication of the original MAP, seven new PATs have been added. Of the 22 total PATs, 16 (or 73 percent) have been completed to date. The 22 PATs are identified in the various initiatives discussed in other chapters and appendices in this report.

Project Management

The hierarchy for project management is illustrated below:

- CFO Council
- Deputy Assistant Secretary - Budget and Finance/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.

BUREAU FINANCIAL MANAGEMENT INITIATIVES

Bureau of Land Management (BLM)

A. Developing and Implementing a Management Information System

Early in FY 1998, the BLM implemented the first module, Budget Execution, of its Management Information System (MIS). By the end of FY 1998, the Performance Measurement module should be implemented, and the Property, the Fixed Assets, and the Billing and Collections modules should be implemented in FY 1999. When totally completed, the MIS will incorporate financial data, billings and collections data, managerial cost accounting information, performance measurement data, and other business data in a single system. This system will meet the requirements of a finance system with integrated cost accounting, and will provide timely, meaningful business information to managers in the field. With the modules already in place, the MIS provides on-line access and is updated daily from the bureau finance system. MIS uses low maintenance equipment, is web-based on the bureau intranet, and has ad hoc query capability. The MIS is already providing users with the capability of extracting data at whatever level of detail desired into individually designed report formats and is reducing the number of paper management reports distributed to the field.

B. Imprest Fund Reductions

In the first six months of FY 1998, the BLM reduced the total funds in its 138 imprest funds by 22 percent to less than \$367 thousand. Reductions occurred in over 30 percent of the individual funds as field offices have received and started using convenience checks. Through effective use of small purchase charge cards and convenience checks, and mandatory use of processing travel advances and awards through electronic payment systems, the closure of BLM imprest funds, as mandated by the Debt Collection Improvement Act, will be a reality by the legislative due date of January 1, 1999.

C. Improving Financial Reporting

Construction in Progress: BLM is working on the final component of improved financial reporting in property management: construction in progress. Previously, the BLM implemented the Fixed Assets (FA) module of FFS, and reconciled all of the BLMs personal and real property while transferring the data into FA. The final step of this three-step process is the analysis of the construction in progress account and ensuring that all completed projects are removed from construction in progress and are recorded as fixed assets. Another component of this step is to assure that all construction projects underway, regardless of funding source, are recorded in the construction in progress accounts in the general ledger

Environmental Cleanup Liabilities: The BLM is expanding its efforts in gathering information in the area of environmental cleanup liabilities for improved financial reporting purposes. The BLM and the OIG are working together to define the data collection require-

ments needed to satisfy the need for full disclosure while protecting the interests of the Government in cases where litigation is pending or possible. The improvements in this area will provide the readers of the annual financial statements with more accurate and meaningful information.

D. Deferred Maintenance Systems

The BLM has initiated a major effort within the bureau to update the condition assessment of the assets within its purview and to systemically record and track the maintenance requirements of those assets, including that maintenance which has been deferred. Previous reviews by the OIG has determined that the system in place, the Facilities Inventory and Maintenance Management System (FIMMS), adequately records and tracks assets, but was not always kept current and was not designed to provide accounting information. In response to this shortcoming, the BLM has started an effort to assess every asset group (Bridges, Tunnels, Roads and Trails, Recreation Sites, Administrative Sites, and Dams), to assure that adequate documentation is in place to support the assessments and the maintenance (current and deferred) cost estimates, and to improve the FIMMS to make property and financial data more accessible and reliable.

E. Implementation of Activity Based Costing

The BLM has chosen Activity Based Costing (ABC) as the methodology it will employ to develop managerial cost accounting data for reporting and performance measurement purposes. During FY 1997 and 1998, the BLM initiated three ABC pilots: (1) a single program in a single state (Gas and Oil Leasing in New Mexico); (2) all programs in a single state (Montana); and, (3) a single program in multiple states (Wild Horses and Burros). These pilots were successful and have demonstrated to management that ABC is an effective vehicle that BLM can use to meet the requirements of the cost accounting standards and performance measurement under the Government Performance and Results Act. In late FY 1998, the BLM will conduct training for representatives of the entire bureau and the BLM will implement ABC bureau-wide in FY 1999. This methodology will provide managers with meaningful information regarding program effectiveness and will facilitate comparative measurement of programs across the bureau, so that best practices can be identified and emulated.

Bureau of Reclamation (BOR)

A. Conversion to New Appropriation Budget Structure

Reclamation successfully converted to a new appropriation budget structure on October 1, 1997. The objective of this conversion is to better meet the requirements of GPRA, NPR, and the CFO Act; and to link Reclamation's financial management data more consistently with its mission goals and objectives. In addition, this will provide managers with better and more relevant data with which to manage their programs.

B. Improving the SGL Implementation Effort

Effective October 1, 1997, Reclamation successfully implemented significant changes in its use of the Treasury Standard General Ledger to more effectively accommodate the accounting and reporting requirements of FASAB, Treasury, OMB, CFO, and DOI.

C. Improving the Management of Working Capital Funds (WCF)

Reclamation's CFO Council completed a comprehensive management review of all working Capital Fund activities in FY 1998. The CFO Council's primary objectives were to assure consistent interpretation and application of WCF policies and guidelines, and to assess the current status of the WCF and its out year plans from a Reclamation corporate perspective. In addition, training was provided to a large number of WCF management and administrative support staff, with an emphasis on WCF policies, guidelines, and financial management practices and procedures.

D. Implementing the Debt Collection Improvement Act (DCIA)

Reclamation has been actively involved with its commercial vendors to notify and assist them in preparation for the processing of all payments directly to their financial institution accounts via the "electronic funds transfer" process effective January 1, 1999, as required by the DCIA. In addition, Reclamation has been working with Treasury to transfer its eligible delinquent debt for debt management by that agency and for potential offset against other payments.

E. Implementing of Year 2000-Compliant Accounting System Software

Reclamation successfully implemented Year 2000-compliant accounting system software in July 1998. This effort involved an intensive joint-testing effort with the other DOI Bureaus using American Management System's Federal Financial System (FFS), and a major reprogramming effort to modify more than 100 of Reclamation's custom FFS reports. In addition, a number of interfaces with Reclamation-specific administrative and program systems were modified, and a significant amount of processed data was archived.

Fish and Wildlife Service (FWS)

The FWS is focused on providing quality financial management services to its natural resource programs while implementing the CFO Council's and the Department's priority initiatives and complying with federal standards of accountability.

A. Improving voucher payment processes

The FWS manages the payment of vouchers using a combination of innovative tools. The FWS has franchised vendor payments exceeding \$25,000, travel vouchers, imprest replenishment vouchers and OPAC transactions to the Bureau of Reclamation's Denver

Administrative Service Center. Vendor payments under \$25,000 and construction payments are processed by individual FWS offices using Remote Data Entry.

Ensuring Prompt Payments: The FWS is striving to attain a high level of performance in the area of processing payments promptly in accordance with federal and DOI prompt payment priorities. Management actions to strengthen prompt payment performance include expanding the types of payments that can be processed using Remote Data Entry and expanding the use of PAYTECH payment technology, which consolidates common vendor transactions into a bureauwide electronic payment. The FWS continues to emphasize the use of charge cards and contracting officers have been authorized to use the cards as payment instruments up to the limit of their warrant authority, not to exceed \$100,000.

Implementing EFT: The FWS is expanding EFT as part of federal and DOI initiatives to comply with the electronic payment requirements of the Debt Collection Act. Currently, new policies are being implemented to mandate that travel and imprest replenishment vouchers be paid strictly through EFT.

In an effort to reduce the number of cash transactions and the amount of cash held in imprest funds, FWS has established a program to reduce the overall number of authorized imprest funds. The Treasury's Fed Select program is being implemented at the Regional level to handle localized reimbursement and incidental purchasing needs.

B. Developing Innovative Financial Management Processes

As DOI implements new purchase, travel, and fleet credit card platforms, the FWS will seek to develop new financial processes to take advantage of the new cards' capabilities. The FWS seeks to consolidate and centralize the billing and payment processes for certain categories of travel and fleet expenses. This will promote efficiencies as the total number of payments made will be reduced and will enhance overall prompt payment performance.

With the passage of the Federal Financial Management Improvement Act of 1996, there has been increasing emphasis placed on the integration of financial and management information systems. In FY 1998, the FWS dedicated significant resources to successfully implement an automated interface between the Departmental payroll system, FPPS, and the core accounting system, FFS. In addition, the FWS is also preparing to implement its automated Budget Allocation System, which also will interface with FFS. The BAS, which is accessible on the FWS's intranet, provides users with allotment and allocation information for all appropriations. The software has query capability that enables users to search multiple combinations of budgetary information. The interface with FFS provides automated updates of carryover and recovery information. The FWS is also participating in the DOI effort to automate procurement processes by implementing the IDEAS-PD system in FY 1998. This system enables users to electronically prepare and distribute procurement documents for approval and to distribute requests to vendors, receive quote responses, make awards and issue award notices. The FWS is also in the process of implementing an interface between IDEAS-PD and FFS. Overall, the system will enable the Service to take advantage of the latest technology to communicate with contractors while increasing competition and reducing solicitation

and contract award turn-around times. The financial interface will promote accurate and timely transaction reports and ensure greater financial accountability.

C. Supporting DOI Financial Management Initiatives

The FWS provides considerable staffing resources to DOI's Office of Financial Management through its participation in workgroups that address priority financial management issues and initiatives. These commitments include participation on the following standing councils:

- Software Advisory Board
- Standard Accounting Classification Advisory Team
- Finance Officers' Partnership

In addition, the FWS has contributed resources to working teams addressing the following priority issues:

- Benchmarking
- FFS Migration
- Financial Statement Preparation
- Credit Card Implementation
- Deferred Maintenance
- Managerial Cost Accounting
- Travel Management Centers
- Emergency Firefighting Payroll

D. Stressing Management Accountability in Implementing Accounting Standards

The FWS has made a number of significant advances the area of financial reporting. Improvements in reporting real and personal property assets have been instrumental in enabling the FWS to maintain its third consecutive unqualified audit opinion. The FWS is continuing to develop data collection and reporting processes to facilitate compliance with Federal Accounting Standards Advisory Board standards. These current efforts are directed at meeting the requirements for Property, Plant and Equipment (SFFAS No.6), Supplementary Stewardship Reporting (SFFAS No.8), and Managerial Cost Accounting (SFFAS No.4). For its FY 1997 Accountability Report, the FWS prepared a Statement of Net Cost, which allocated total cost to the major program categories. The FWS is using a interdisciplinary approach with workgroups comprising of financial, program and administrative staff. FWS financial staff have undertaken steps to educate bureau officials on the critical role played by program officials and other senior managers in accountability reporting.

E. Improving Administration of Federal Assistance Programs

The FWS is committed to improving the administration of federal assistance programs through the implementation of the three major initiatives as follows:

- Establishment of a Federal Aid Information Management System (FAIMS).
- Pursuit of an aggressive cash management system.
- Start-up of a national Federal Aid audit program.

FAIMS: The need for an information management system became apparent over the past several years. Existing fiscal and accomplishment reporting systems were suffering from aging technology and/or inherent systems design problems. New grant programs came on-line and existing systems could not easily accommodate them. The continuously evolving and changing business environment created an opportunity to improve the ADP infrastructure, modernize our business practices, and take advantage of new and emerging technologies.

A team has been established to head-up the development of the Federal Aid Information Management System (FAIMS). The team is charged with leading and coordinating efforts to develop an information system which would modernize Federal Aid ADP systems, improve our business practices and procedures and increase coordination and information sharing.

The FAIMS team is currently completing systems analysis and design tasks and developing software code. System modeling, prototyping, and bench marking continue to provide visual representations of what is to come in order for users to view, evaluate, and provide feedback. The system is expected to be fully operational during FY 1999.

Cash Management: The FWS is working with the Bureau of Tobacco, Alcohol, and Firearms, U.S. Customs, Internal Revenue Service and the Department of Treasury to manage the transfer of receipts from excise taxes in a more timely manner. As a result, \$31 million has been de-obligated and recovered, or obtained via correcting entries. The FWS also expects to accrue an additional \$10 million in interest due to more timely fund transfers and improved interagency coordination.

Audits: The FWS initiated a national audit program where each state agency receiving Federal Aid funds is audited once every five years. Thirty-six audits have been initiated and in some cases completed to date. The audits have in part generated 15 policy issue clarifications which demonstrates the FWS' commitment to fulfilling its sport fishing and wildlife conservation mission.

Office of the Secretary (OS), Minerals Management Service (MMS) and The Office of Surface Mining Reclamation and Enforcement (OSM) ABACIS Bureau Partnership

During FY 1995, the OS, MMS and OSM established a partnership (ABACIS Bureau Partnership) to work jointly on initiatives to streamline and automate financial processes. This partnership allows the three bureaus to share both personnel and computer resources in order to optimize our ability to meet changing requirements in the federal financial management arena. The major Partnership accomplishments to date have been: (1) implementation of the FPPS system and the development and implementation of an interface between ABACIS and FPPS; (2) implementation of the revised Standard General Ledger; (3) implementation of Standard Departmental Budget Object Class Codes; and (4) implementation of version 7.5 of Treasury's Electronic Certification System (ECS).

Partnership projects currently underway include: (1) modifications associated with the Year 2000 problem; (2) final development and implementation of the Property Management Information System (PMIS); (3) development of an interface with Nations Bank; and (4) development of an interface between Procurement Desktop (PD) and ABACIS.

A. Office of the Secretary (OS)

The OS has re-engineered their front end microfilming process by replacing the microfilm camera and reader with state-of-the-art data imaging technology. Each client workstation contains image retrieval software allowing customers to easily retrieve images of documents that have been processed by the finance office. This new front end is fully integrated with ABACIS and therefore allows customers to access images based on any known information about the document. The OS has also significantly reduced its dependence on imprest fund operations by implementing Treasury's FedSelect Check program that allows them to use checks for payments that were previously made from the imprest funds. Other accomplishments by the OS include installation of the IDEAS system at the Interior Service Center (ISC) and the development and implementation of a correspondence tracking system based on the same technology as the ABACIS front end imaging system. The latter allows storage and retrieval of all correspondence received by the finance office.

B. Minerals Management Service (MMS)

The MMS has expanded its FedSelect Check program to all of its major field offices. FedSelect is a Treasury cash management initiative that allows MMS to use checks for payments that were previously made from imprest funds. After implementing FedSelect in these offices, the imprest funds there were closed. The MMS also expanded its efforts to increase EFT payments to vendors and employees. Over 89 percent of disbursements to MMS vendors are via EFT. Also, more than 97 percent of travel and miscellaneous reimbursements to MMS employees are made via EFT.

C. Office of Surface Mining, Reclamation and Enforcement (OSM)

The OSM is pursuing the following initiatives to meet the Government-wide CFO Council priorities and DOI strategic goals for financial management improvements:

Financial Statements/Accounting Standards: OSM has implemented the new cost accounting standards in FY 1998 at the segment level, and to a certain number of outputs. In FY 1999, OSM will continue to cost outputs and use these figures for reporting performance standards. OSM will continue to receive clean opinions of its financial statements, looking for its eighth straight year.

Financial Management Systems: In October 1998, OSM will implemented a module to ABACIS for processing purchase card transactions. The cardholder inputs transactions which are matched against the invoice download from RMBC to allow next day pay of the invoice. All non-matched charges are paid to default accounts after 10 days. In FY 1999, OSM will enhance this module to interface with the Nations Bank EAGLS System.

A Management Performance and Accounting System (MAPS) was implemented during FY 1998 giving program managers on-line access to performance and cost information. MAPS provides managers with “canned” and ad-hoc reporting capabilities for financial, budget, and/or personnel data from ABACIS, FPPS, and other systems. During FY 1999, OSM will enhance MAPS by creating a report library where managers can share their own unique reports, by making the system WEB-enabled, and by providing more historical data for in-depth trend analysis.

Financial Reports On CD-ROM - OSM will deploy its financial reports on a CD-ROM System during FY 1999. This replaces most hard-copy output, mailing, and e-mail of regulatory, managerial, financial, and internal control reports with a “Reports-On-Line” system.

Budget Module - In FY 1999, OSM will complete the first phase of the new budget module which will include budget development, allocation, and execution. The system is designed so that line-managers can develop their budget requests on-line in a consistent manner with review and approval processes by upper management leading to an automated agency-wide budget. The budget formulation process will generate much of the previously tedious and difficult to obtain information such as personnel costs. The Budget Module will also have features which link financial planning with GPRA.

Receivables: OSM successfully reduced outstanding delinquent debt by 39 percent during the first nine months of FY 1998. During FY 1998, OSM looked at various ways to improve collection rates and processes while retaining our high customer service quality standards. This effort will continue in FY 1999 by completing our review of a credit card collection program. This may enable OSM to eliminate lockbox payments and decrease the number of collection officers in the field. It may also increase our customer satisfaction by allowing alternative methods of payments.

Payments and Business Methods: During FY 1998, OSM closed all remaining imprest funds in support of the Debt Collection Improvement Act. This was accomplished primarily through increased use of the purchase card, ATM withdrawal for travel advances, and prompt travel payment processing.

OSM reduced Prompt Payment Act interest from 6.97 percent at the start of FY 1998 to a cumulative rate of 1.89 percent in June 1998. The monthly rates for March through June 1998 were all less than 0.5 percent, with the month of March at 0 percent.

OSM implemented an aggressive policy to comply with the EFT provisions of the Debt Collection Improvement Act of 1996. During FY 1998, OSM increased vendor compliance from 43.5 percent to 62.6 percent and travel (miscellaneous) payments from 82.9 percent to 93 percent. In recognition of OSM's progress in complying with the EFT provisions, the San Francisco Office of the Department of the Treasury presented OSM Finance with a certificate of appreciation.

National Park Service (NPS)

A. Improving Cash Management

Delinquent Debt Transfer to Treasury: The National Park Service implemented the Treasury Offset Program in FY 1997. NPS transferred nearly 60 percent of the eligible delinquent debt to Treasury as of the end of July. The Service projects a 100 percent transfer of its debt as of the end of FY 1998.

Reduction/Elimination of Imprest Funds: In compliance with the Debt Collection Improvement Act of 1996, the National Park Service continues its efforts to reduce the imprest fund balances outstanding. The Service projects further reductions during FY 1998 and FY 1999.

Travel Advance Management: During FY 1998 NPS mandated the use of the American Express ATM for travel advances. The outstanding travel advance balances as of the end of FY 1998 that remain are, primarily, due to permanent change of station and emergency travel advances.

Prompt Pay Interest Reduction: During FY 1998, the National Park Service reduced its rate of late payments to below the Department's goal of five percent. The prompt pay interest reduction was attributable to the corrective actions taken by both the field offices and the Accounting Operations Center.

Expansion of Credit Card Usage: During FY 1998, the National Park Service's usage of the Rocky Mountain Bank Card increased by approximately 66 percent. We project that the Service will process nearly 220,000 transactions for nearly \$48 million during FY 1998.

Expansion of Plastic Credit Card Network Usage: The increased usage of the PCCN during FY 1998 is primarily attributable to the implementation of the Recreational Fee Demonstration Program. The Service projects a 50 percent increase for the year.

B. Financial System Integration and Development

Implementation of Federal Financial System Fixed Assets Subsystem: The National Park Service will complete the conversion of its personal property data from the Department of Agriculture's Property Management System (PROP) to the Federal Financial System's (FFS) Fixed Asset subsystem by the end of FY 1998.

Job Corps Accounting System: The National Park Service will complete the development of the conversion strategy/plan for conversion of the Job Corps accounting to the Federal Financial System. This conversion will be completed during FY 1999.

Federal Personnel and Payroll System: The National Park Service will complete its parallel testing of the FPPS by the end of FY 1998. NPS will convert from PAY/PERS during the first quarter of FY 1999.

Implementation of IDEAS System: The Accounting Operations Center in partnership with the Service Administrative Center pilot tested the IDEAS system in FY 1998. The Service plans to implement IDEAS system servicewide in FY 1999.

Client/Server Based System: During FY 1998, the Accounting Operations Center produced a concept paper for development and implementation of a client/server system to replace multiple outdated financial systems. The new client/server system would replace the Administrative Financial System (AFSII), the Financial Reporting and Reconciliation System (FRRS), and provide the Accounting Operation Center and program offices with an ad-hoc reporting tool.

C. New FASAB Accounting Standards

The National Park Service is proceeding with the implementation of the new standards for Managerial Cost Accounting (SFFAS No.4), Deferred Maintenance (SFFAS No.6), and supplemental Stewardship Reporting (SFFAS No.8) standards during FY 1998.

D. Financial Management Training Program

The National Park Service in partnership with Indiana University began the development of a distance learning training curriculum for the financial management program. The program should be available for NPS employees via the Internet in FY 1999.

U.S. Geological Survey (USGS)

The USGS is pursuing the following initiatives as part of its efforts to meet the Government-wide CFO Council priorities and DOI strategic goals for financial management improvements:

A. Improving Financial Management Systems

Oracle Reporting Database: The year 2000 (Y2K) compliant version of our accounting system (FFS) software eliminated USGS' ad hoc reporting capability. In response, the Office of Financial Management (OFM) is developing a relational database to replace this lost functionality, as well as enhance users access to their data. A new reporting tool to work in conjunction with this database has been purchased, users are being trained, and the database will be expanded to meet users needs.

Bureau Level Data Warehouse: The reporting database described above will be used as a springboard for a FY 1999 initiative to implement a bureau-level common database for financial and related data. Common data definitions are being developed with the goal of implementing a data warehouse that standardizes information among all USGS program divisions and facilitates quick, accurate responses to requests for data.

Bankcard Interface: With the advent of a new Government-wide charge card contract, USGS will be participating with the other DOI bureaus to develop, test, and implement a new interface for charge card transactions with the DOI standard accounting system, FFS. Our bureau relies upon this interface to accurately charge our accounts for numerous charge card transactions. USGS is a heavy user of the current bankcard interface, incorporating input from all of our program divisions into the interface process.

FFS Enhancements: USGS is preparing for at least one new release of DOI's version of FFS in FY 1999. A FFS release in early FY 1999 will be necessary to incorporate software changes correlating with initiatives in Treasury's systems (EFT, FACTS, and TOPS).

FFS/IDEAS Interface: The bureau will implement processing changes related to the DOI interface between the Interior Department Electronic Acquisition System (IDEAS) and FFS.

B. Improving Financial Reporting

Direct and Reimbursable Funding: USGS will amend the manner in which it accounts for direct and reimbursable funding. This improvement will aid our year end closing and improve our external reporting.

Financial Statements: USGS has received unqualified audit opinions of its financial statements for the last several years and is working to continue on that course. Processing improvements have been made, reporting software has been upgraded, and a backlog of manual adjustments have been cleared.

Real Property: Real property inventories will be reported quicker and recorded in the financial system before the end of the fiscal year, thereby improving the accuracy of our financial statements.

C. Implementation of the Debt Collection Improvement Act

The USGS has made substantial progress in implementing the various portions of the Debt Collection Improvement Act (DCIA). All eligible delinquent debt has been referred to the Department of the Treasury for collection or offset, and policies and procedures are in place to continue on that plane in FY 1999. Efforts are underway to improve our compliance with the electronic funds transfer (EFT) and taxpayer identification number provisions of the Act, and will be expanded in FY 1999. An EFT waiver policy and process will be developed and monitored. Finally, all, or mostly all, imprest funds will be eliminated in FY 1999.

D. Year 2000 Compliance

USGS has implemented the Y2K compliant version of the FFS software. All internal management reports and interfaces are, or will be, Y2K compliant in FY 1999. We will also be assessing our data interchange partners ability to function in the year 2000.

E. Accounting Standards

In FY 1999, USGS will be implementing new Federal Accounting Standards Advisory Board (FASAB) standards, including Managerial Cost Accounting Concepts and Standards (SFFAS No. 4), Accounting for Revenue and Other Financing Sources (SFFAS No. 7), Supplementary Stewardship Reporting (SFFAS No. 8), and the Management Discussion and Analysis concept paper. Implementation of the cost accounting standard will be closely coordinated with the development of USGS' strategic plan and future budget submissions.

F. Developing Human Resources and CFO Organizations

USGS plans to carry out a realignment of positions and functions associated with the bureau's expansion of remote data entry; this effort was deferred due to higher priority activities in FY 1998. 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.

G. Ensuring Management Accountability and Control

Management Control Improvements: USGS revised its sample selection process and efforts in FY 1999 will focus on improved end-user reporting, further revisions to statistical sample for travel payments, and development of corrective action plans as may be indicated by the statistical analysis of payment transactions.

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.

H. Modernizing Payments and Business Methods

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. We are currently participating with the Washington Administrative Service Center in furthering this effort.

Customer Outreach Efforts: OFM will continue current efforts to provide improved financial information and better customer access to financial data, with a particular emphasis on Intranet-based process tools and information dissemination. We have already implemented an electronic notification to travelers of impending reimbursements and we intend to expand the use of electronic communications to customers via E-mail and Internet access.

Expansion of USGS Remote Data Entry: Remote data entry (RDE) authority for processing FFS transactions will be expanded to the USGS Divisions not currently participating.

Interface Travel Transactions: Currently, one of USGS' program Divisions automatically interfaces its travel vouchers with the accounting system. We will enhance the travel software so that the remainder of our Divisions can directly interface their travel vouchers.

Prompt Payment Performance: USGS made structural changes in its invoice payment processes that greatly enhanced its on-time payment performance. These changes will be expanded in FY 1999 as we strive to achieve the Departmental goals.

Bureau of Indian Affairs

The Bureau of Indian Affairs (BIA) has the following initiatives underway or planned in its effort to meet CFO Council priorities and mission responsibilities:

A. Improving Financial Management Systems

Loan Management and Accounting System (LOMAS): After several years in design and development, the LOMAS system has reached full implementation. This has been a joint effort by the Bureau and the former FMIP staff, and later by the WASC-West, that upon completion provides a mechanism for effective management of the Bureau's loan portfolio. It replaces an older "batch" system that was difficult to use and provided a limited set of reporting capabilities; the new version is network-based and greatly improves management tools and reporting and includes a quality and easy-to-use interface with FFS. Currently, enhancements are being made to make this system even easier to use. Anticipated completion is September 30, 1998.

National Irrigation Information Management System (NIIMS): NIIMS is currently operating in a production mode at individual bureau irrigation project offices: however, in order to provide a more complete picture of the financial (receivables) side of each project, the Division and the Office of Trust Responsibility have been developing an interface between NIIMS and FFS. Currently, 15 of the 17 (excluding Salt River) projects have been placed on NIIMS, and 12 of the 15 projects have been interfaced with FFS. Plans call for the remaining projects to be placed on NIIMS later this calendar year and be interfaced with FFS no later than January 1, 1999.

B. Modernizing Payment and Business Methods

Improving Remote Data Entry Capabilities: During FY 1998, the Bureau continued its implementation after successful testing at three pilot offices. The pilot phase began in March 1997, and included the Anadarko and Navajo Area Offices and Central Office in Washington, DC. With the valuable assistance of staff from the WASC-West, the Division was able to develop a quality implementation plan, training program, and implementation effort. Pilot implementation ended in August, 1997, followed by an overall evaluation report and subsequent request to the Department for full Bureau implementation during FY 1998. Full Bureau implementation was approved and began in March, 1998 with Albuquerque and Muskogee Areas. Since that time, four additional locations have implemented Remote Data Entry. They include Aberdeen, Minneapolis, Billings, and Juneau. Currently, Remote Data Entry is being implemented with the Office of Indian Education Programs (OIEP), to include Haskell Indian Nations College (HINC) and Southwestern Indian Polytechnic Institute (SIPI). Approval has also been given to increase the small purchasing process from \$1,000 to \$2,500. Remote Data Entry will continue to be implemented at the four remaining areas in FY 1998 with completion in early FY 1999.

Prompt Payment Reduction Initiative: The Bureau is dedicated to greatly reducing its overall prompt pay penalty percentages during the current and following fiscal years and ultimately reach levels commensurate with Department recommendations. The Bureau has obligated staff to participate on intra-Department improvement teams and develop a Bureau action plan to monitor progress. The expansion of the Remote Data Entry project described above is a key element in the Bureau's reduction effort and significant decreases are expected as that implementation effort moves forward.

In FY 1998, a Department goal was set to reach the government-wide average of no greater than 3 percent subject to interest penalties. The BIA has made improvement during FY 1998 however, it has not reached the percentage level set by the Department. The Bureau attained a cumulative 15.2 percent average through June 30, 1998. As a result, the Bureau is developing a plan for having its payments cross-serviced.

Electronic Fund Transfer Initiative: During the third quarter of FY 1998, the Bureau developed an Electronic Fund Transfer (EFT) implementation plan. The overall objective of the plan is to meet the government-wide objective for EFT. The Bureau's implementation plan will be fully implemented by January 1, 1999 and will be consistent with the Debt Collection Improvement Act of 1996.

C. Improving Management of Receivables

Implementing the Debt Collection Improvement Act of 1996: The Division has initiated a Memorandum of Agreement with the Department of the Treasury that facilitates debt collection of delinquent accounts receivables. This provided an immediate impact in FY 1997 and FY 1998 and the Bureau envisions continued reduction of delinquent accounts that eventually resolves a long-standing financial weakness for the Bureau. Additional emphasis is being placed in debt management as it pertains to irrigation receivables, loan receivables, as well as miscellaneous receivables.