United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

AUG 19 2002

To: Bureau Deputy Chief Financial Officers
           Bureau Finance Officers

From: Theodore Woronka, Deputy Director
           Office of Financial Management (PFM)

Subject: Results and Follow-up Questions to Departmental Functional Review (DFR) on
           Improper or Erroneous Payments

We recently completed the processing of the bureau responses to the subject DFR . We would like to thank each bureau for their cooperation and assistance in completing questionnaire. The purpose of this memorandum is to summarize the preliminary results of the DFR, and to request your assistance in responding to several follow-up questions.

You may recall that the subject DFR focused on the management and accounting controls associated with the vendor, travel, grants, purchase card, and payroll payment processes. The DFR was designed to identify any vulnerabilities for improper or erroneous payments, and to pinpoint areas where improvement may be needed. To keep administrative burdens to an absolute minimum, the DFR was conducted using the Department's automated management control assessment tool.

Attachments 1 and 2 summarize the preliminary results of the DFR. Attachment 1 is a "spider diagram" which depicts the actual assessment results for each payment process (labeled "Actual Measure") against a Department-defined standard (labeled "DOI Integrity Measure" which carried a fixed numerical score of 2.5). In summary, assessment scores of 2.5 or greater correlate with payment processes having adequate controls that are functioning as expected. Assessment scores of less than 2.5 indicate areas for concern and additional follow-up. Attachment 2 presents a summary of the overall magnitude of the bureau responses by payment process.

As you will note, the preliminary results of the DFR indicate that the overall controls are sufficient and working as expected in the vendor, travel, and purchase card payment processes. However, the preliminary results also indicate that grant and payroll payment processes have potential control weaknesses or other deficiencies. Both of these areas had scores a full point below the Department-defined standard.

As a result, PFM staff have developed additional follow-up questions (in Attachment 3) to help determine and or clarify the magnitude of the potential control weaknesses and other deficiencies identified in the grant and payroll payment process assessments. We are requesting that you review and respond to these follow-up questions and forward your response to PFM by September 16, 2002. Please return your response by e-mail, fax or mail(to the attention of Ted Cross). If you have any questions regarding the follow-up questions, please contact Ted Cross on (202) 208-4701.

Thank your for your continued cooperation and assistance in this important assessment.

Attachments

	DOI Integrity Measure	Actual Measure
Control Environment	2.5	2.5
Vendor Payments	2.5	2.6
Travel	2.5	2.1
Grant Payments	2.5	1.3
Charge Card (Purchases)	2.5	2.1
Payroll	2.5	1.7

Control Environment
3   2.5

2.5

2

1.5

1

0.5

0

Payroll
1.7

Vendor Payments
2.6

Charge Card (Purchases)
2.1

Travel 2.1
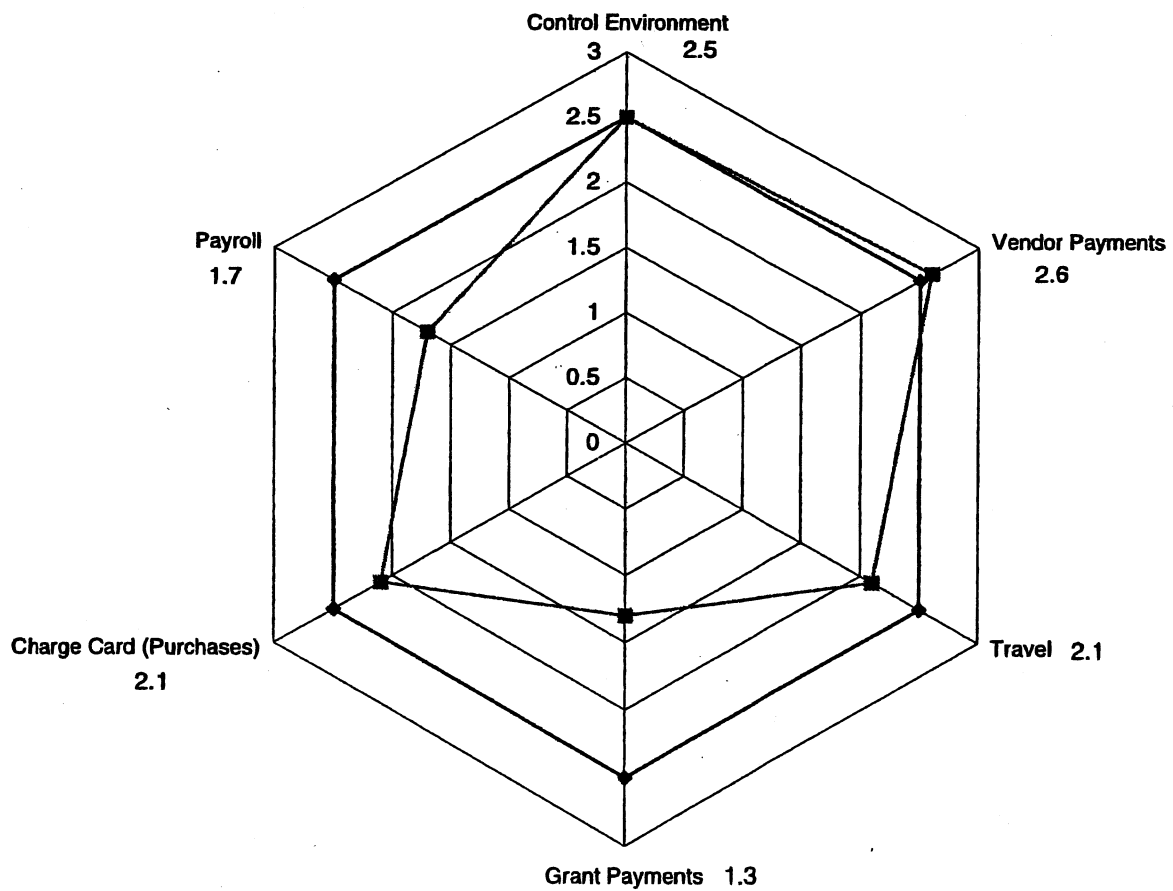
Grant Payments   1.3

Questions	Mean	0 20 40 60 80100	Wkn%	Neu%	Str%
SECTION 1: CONTROL ENVIRONMENT	2.46		25.9	7.6	66.5
SECTION 2: VENDOR PAYMENTS	2.55		24.6	2.6	72.8
SECTION 3: TRAVEL	2.12		34.8	4.1	61.1
SECTION 4: GRANT PAYMENTS	1.28		59.7	1.8	38.5
SECTION 5: CHARGE CARD (PURCHASES)	2.14		34.6	3.1	62.3
SECTION 6: PAYROLL	1.70		48.7	0.4	51.0
Grand Mean	2.06		37.6	2.8	59.6

■ Weaknesses (Wkn)   ▦ Neutral (Neu)   ■ Strengths (Str)

Improper Payments DFR Follow-up Questions
August 2002

Control Environment

1. When was the last time a **risk assessment or management control review** was conducted for the following payment processes: vendor, travel, grants, charge card purchases, and payroll? What major deficiencies and or best practices identified?

2. What GPRA performance measures and goals does your bureau have in place to monitor improper payments for grants, vendor, travel, charge card purchases and payroll payment processes? What will be the bureau's performance for each of these GPRA goals in FY 2002? What is your bureau's **GPRA target error rate** for vendor, travel, grant, purchase card, and payroll payments? How was that target error rate determination? How frequently does the bureau monitor performance in these areas (monthly, quarterly, etc.)?

3. Describe the procedures your bureau has for preventing and detecting duplicate vendor, grant, travel, payroll, and purchase card payments.

Grant Payments (These Questions Only Apply to Bureaus with Substantial Grants and Cooperative Agreements (I.e. NPS, FWS - Federal Aid Program, and BIA's - Section 638 Program Grants)

1. Does your bureau have written policies and procedures covering the awarding and monitoring of grants? If so, when were they last updated?

2. How does your bureau prevent/decrease excess funds from being paid to grant recipients?

3. What procedures does your bureau have in place for special award (**high risk**) recipients?

4. What is your bureau's process for reviewing grant cash draw-downs? If there is a problem with a recipients's cash draw-down, what processes do you have to correct it?

5. Does the bureau confirm in advance that a proposed grant recipient has a good record of compliance with Federal grant financial reporting requirements?

6. What is your bureau's process for recording, collecting, and reporting grant questioned and disallowed costs?

Payroll

1. Does your bureau have written policies and procedures for the Finance Office payroll functions? When were they last updated?

2. What is your bureau's process for reconciling payroll transactions with personnel transactions and correcting errors that are identified? What is the average dollar magnitude of your bureau's payroll errors per payperiod?

3. How does the bureau ensure that employee debts are properly accounted for, recorded, collected, or resolved before an employee leaves the Department? What types of documentation are maintained to support the resolution of employee debts?