

## **CHAPTER 5. ENSURING MANAGEMENT ACCOUNTABILITY AND CONTROL**

**GOAL:** Ensure that a sound system of financial management controls exists in all programs, organizations, and functions.

The Department believes that maintaining integrity and accountability in all programs and operations: (1) is critical for good government; (2) demonstrates responsible stewardship over assets and resources in our care; (3) ensures high quality, responsible leadership; (4) ensures the sound delivery of services to customers; and, (5) maximizes desired program outcomes. Accordingly, 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; and,
- Reliable, complete, and timely data are maintained and used for decision-making at all levels.

Further, the Department firmly believes that the timely implementation of Office of Inspector General (OIG) and General Accounting Office (GAO) audit recommendations is essential to improving the efficiency and effectiveness of programs and operations, and achieving integrity and accountability goals. As a result, the Department has instituted a comprehensive audit follow-up program to ensure audit recommendations are implemented in a timely and cost-effective manner, and that disallowed costs and other funds due from contractors and grantees are collected or offset.

### **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.

## ***FY 1999 Accomplishments***

- *Provided Reasonable Assurance Objectives Were Met:* Based on the results of its midyear progress review, the Department expects to again provide reasonable assurance to the President and the Congress that the systems of management, accounting and administrative controls, taken as a whole, achieve the objectives of the Federal Managers' Financial Integrity Act and OMB Circular A-123, and that accounting and financial systems generally conform with governmentwide standards.
- *Corrected Material Weaknesses:* During FY 1999, the Department completed corrective action on two of its 16 pending material weaknesses. Over the years, the Department has identified and reported 163 material weaknesses and 64 accounting system non-conformances. By the end of FY 1999, the Department will have corrected 149 of the total reported material weaknesses (91 percent) and all 64 accounting system non-conformances (100 percent). Much of the progress in correcting material weaknesses was achieved over the last several years. The 14 pending material weaknesses at the end of FY 1999, including those identified as mission critical weaknesses, are listed in *Exhibit 5-1* below.

### *Exhibit 5-1*

<b>Pending Material Weaknesses Carried Forward to FY 2000</b>		
<b>Title of Material Weakness/Non-conformance</b>	<b>Bureau</b>	<b>Correction</b>
Inadequate Management of Trust Funds *	OST	FY2003
Deficiencies in Real Property Management	BIA	FY2003
Inadequate Debt Collection	BIA	FY2002
Inadequate Acquisition Management Program	BIA	FY2001
Irrigation Operations and Management	BIA	FY2002
Inadequate Records Management *	BIA	FY2000
Inadequate Range Monitoring *	BLM	FY2000
Administration and Oversight of the Wild Horse and Burro Herd Management Program	BLM	FY2000
Management and Oversight of the Land Exchange Program	BLM	FY2000
Irrigation of Ineligible Land *	BOR	FY2002
Lack of Accountability and Control Over Artwork and Artifacts * (BIA, FWS, NPS, BLM, OSM, MMS, BOR, and USGS)	DEPT	FY2000
Incomplete/Inaccurate Data in the Procurement Data System	BIA	FY2000
BIA Facilities Program	BIA	FY2000
Inadequate Departmentwide Maintenance Management Capability *	DEPT	TBD

\* = Mission Critical Weakness

- *Received Vice President Gore's Hammer Award for the Management Control Automated Assessment Approach Pilot:* The highlight of the Department's FY 1999 Management Control Program occurred in March 1999 when Vice President Gore's prestigious Hammer Award was presented to the Re-engineering Lab Team for the development and pilot testing of the automated assessment approach. The automated assessment approach was developed in a Re-engineering Lab in 1997. In 1998, the Department successfully pilot tested the new, fully-automated approach for conducting and reporting the results of management control assessments. The 1998 pilot test program included 13 program assessments with at least one pilot assessment in each bureau and office. The resource savings and results were exceptional when compared to a traditional management control assessment. The new automated approach saved over 90

percent of the staff resources consumed in planning, conducting, processing and reporting the results of the assessments; avoided travel costs; and, identified several areas of potential material weaknesses and best practices which were not previously detected. In 1999, the pilot test program was expanded to other program areas and several revisions were incorporated based on 1998 pilot test results. In addition, a new Internet version of the surveying and assessment software was pilot tested. Depending on the final results of the 1999 pilot test, the Department expects to adopt the Internet version as its standard automated assessment format because it eliminates the problems experienced with transferring assessment files across multiple e-mail platforms.

- *Prepared the 1998 Annual Accountability Report:* The Department was approved by OMB to participate in the Accountability Report Pilot Program beginning in FY 1996. The pilot program allows agencies to consolidate several financial management statutory reports into a single Accountability Report in order to streamline reporting, save staff resources 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, the CFO Act Annual Report, the Civil Monetary Penalties Report, and Prompt Payment Act Report is now condensed into the Department's Annual Accountability Report, resulting in a more concise, narrative, and statistical report which meets all statutory requirements. In addition, the report now includes key performance measurement data in accordance with the Government Performance and Results Act. The Department has been recognized for its excellence in preparing the Annual Accountability Report since 1997.

## **Audit Follow-up**

The Department's goals are to ensure that audit recommendations 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 time frames.

## **FY 1999 Accomplishments**

- *Improved the 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 Indian 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 each year. All Single Audit reports are now forwarded to the Federal Single Audit Clearinghouse. Those with findings and recommendations requiring OIG and or bureau actions are forwarded by the Clearinghouse to the OIG. These actions include resolving deficiencies identified in the audit reports, and determining the allowability of any expenditure of Federal funds which have been questioned by the auditor. During 1999, the Department was successful in closing approximately 84 percent (319 of 382) of the single audits referred for action by the Clearinghouse.

- *Collected and Offset Disallowed Costs in Single Audits:* The Department has made good progress in collecting and closing single audits with disallowed costs. During FY 1999, approximately 81 percent of these audits were closed and \$3.76 million of \$6.7 million (56 percent) in disallowed costs were collected.
- *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 FY 1999. Approximately 33 percent of the FBU audits pending during the year were closed. These audits closed involved \$3.2 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. With the help of the Interior Management Council, all 10 of the oldest audits in tracking were closed in FY 1999. As a result of this aggressive monitoring activity, the total number of audits in this category declined by approximately 47 percent for the year. Those audits still pending involve recommendations with long-term and multi-faceted corrective actions, or require statutory changes.
- *Improved the Implementation Rate of GAO Audit Recommendations:* General Accounting Office audits are a major component of the Department’s audit followup program workload. During FY 1999, 40 final audit reports were issued. These audits contained 18 recommendations of which 83 percent were implemented by the end of the year. The remaining recommendations involve actions that appear to be cost prohibitive.

## **PLANNED ACTIONS**

### ***Ongoing Activities***

- Continue to improve the rate of implementing audit recommendations, collecting disallowed costs, and closing audits.
- Continue to prepare and issue the Annual Accountability Report by the statutorily required due date.

### ***FY 2000 Planned Activities***

- Complete corrective actions on 4 of the 14 pending material weaknesses carried over from FY 1999.
- Assist bureaus in implementing the Internet version of the new automated approach for conducting management control assessments.

***FY 2001 and Beyond Planned Activities***

- Develop and implement a new departmental GAO audit follow-up data base and tracking system to more effectively monitor audit progress linked to a new system being developed by the Department's Office of Inspector General.
- Complete corrective action on the 10 remaining material weaknesses expected at the end of FY 2000, and ensure that other material weaknesses are promptly identified, reported to senior management, and corrected.
- Conduct a feasibility study to provide technical guidance and support through the National Business Center to other Federal agencies in conducting automated management control assessment over the Internet.
- Working with the OIG and the Department's Chief Information Officer, develop a more effective and efficient approach for assessing whether adequate computer security is being provided on computer systems, including in particular, financial management systems and financial data.