CHAPTER 1. OVERVIEW

Interior's Mission

"To protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to tribes and our commitments to island communities."

The American people have had a long-term investment in the resources managed by the Department of the Interior (DOI). 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.

Interior's Mission

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 and our commitments to island communities. 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.

The Department strives to ensure that the funding the American people provide is used as efficiently and productively as possible. To that end, the Department has focused on three areas: (1) streamlining and reengineering; (2) improving accountability; and (3) customer service. As a result, the Department has been a leader in the Administration's initiative to reinvent the federal government and implement the recommendations of the National Partnership for Reinventing Government (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 Act of 1990 (CFO Act), the Government Performance and Results Act of 1993 (GPRA), the Government Management Reform Act of 1994 (GMRA), 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 (FFMIA).

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 is also the Department's 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

Interior recognizes that to improve financial management and effectively reengineer and streamline financial management activities and processes, it is imperative that collaborative working relationships be established between program and financial managers. To that end, Interior has established strong collaborative working relationships through the Interior CFO Council, the Interior Management Council (IMC), the Finance Officers' Partnership (FOP), other collaborative Interior committees, and reengineering laboratories sponsored by the Department in support of NPR.

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

Interior CFO Council: The CFO Council advises and assists Interior's CFO to efficiently and effectively implement the CFO Act. The Council assists in identifying bureau and departmental financial management issues for consideration by the CFO to implement effective departmentwide financial management policies and management controls, ensure uniform and consistent reporting, recruit and train financial management personnel, develop financial statements and integrated systems with appropriate internal controls, maximize cost recovery, and generate necessary financial management plans and reports, including program performance measures.

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 Information Resource Management (IRM) policies and standards, and reviewing IRM budgets and strategic plans for major information systems improvements.

Capital Assets Executive Review Committee (ERC): The ERC advises the Assistant Secretary for Policy, Management, and Budget on capital asset investment decisions, including investments in building and technology infrastructure.

Performance Management Council (PMC): The PMC provides departmental leadership and coordination in implementing the Government Performance and Results Act and developing common approaches to performance management. The PMC includes senior planning officials from the bureaus, as well as representatives from the Department's planning, budget, finance, human resources, and information management offices.

Finance Officers' Partnership: 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. The FOP has established subcommittees or working groups to focus on important financial management issues that confront the Department. These include:

- *Federal Financial System Software Advisory Board (FFS-SAB)* 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)* 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.

- *Financial Statements Guidance Team (FSGT)* to coordinate bureau and Departmental preparation of financial statements.

- *Operations Accounting Group (OAG)* to coordinate efforts of bureau finance offices and the Department to improve the effectiveness and efficiency of financial management procedures and practices.

- *Budget Execution Reporting Working Group* made up of Department and bureau budget office and finance office representatives to coordinate and improve budget execution processes and reporting practices.

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 property 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.

Interior Federal Assistance Working Group (IFAWG): The IFAWG was established to provide a focal point for coordinated federal assistance activities of the DOI bureaus and offices. The Working Group provides an opportunity for representatives from bureaus and offices to provide input into the formulation and implementation of federal assistance policies.

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 governmentwide CFO Council.

Interior's Financial Management Vision Statement

"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 governmentwide CFO Council develop goals and initiatives that are published in the *"Federal Financial Management Status Report and Five 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 in the Federal Financial Management Plan is to improve financial management over the next five years by:

- Improving financial management information
- Improving financial management systems
- Implementing the GPRA
- Ensuring management accountability and control
- Developing financial human resources
- Improving asset and debt management
- Modernizing payments and business methods
- Providing financial data stewardship
- Improving administration of federal grants programs

The departmental initiatives in support of these governmentwide priorities are described in the chapters and appendices that comprise this report.

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 governmentwide financial policies and programs in the areas of accounting and reporting standards, financial systems, streamlining financial management processes, franchising, and meeting the objectives of NPR and GPRA.

The Department, like other federal agencies, has expended considerable resources in rethinking the way it conducts its business. The Department 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. Interior intends to continue this effort.

Within this framework, the Office of Financial Management (PFM) has lead responsibility for improving financial management in the Department. In this role, PFM assists the Department to achieve its goals by:

- Providing leadership to promote the efficient management of Interior resources and assets.

- Providing quality financial services to customers based on their needs.

- Providing high quality financial information on Interior 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, reengineering, 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 FY 2001 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 Interior's mission.

Financial and Performance Management

The Department has established three primary strategic goals for its financial management program. These goals are: (1) ensure integrity in management functions; (2) provide efficient financial management operations; and (3) improve financial and performance reporting.

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

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

Performance Measure - Audit Opinions

Interior places a high priority on preparing reliable financial information. Accordingly, the Department publishes annual financial statements for the Department and each of its individual bureaus. 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 the Office of Management and Budget, Congress, and the public of the integrity of the Department's external reporting. The following three opinions are issued annually by the Office of the Inspector General (OIG): (1) financial statements; (2) internal controls; and (3) FFMIA. Auditors classify financial statements in one of three categories: disclaimer, qualified, or unqualified (clean).

Performance Goal: The Department's goal is to achieve and maintain unqualified (clean) audit opinions on the financial statements included in the Department's Annual Accountability Report. These include: (1) opinions on financial statements; (2) reports on internal controls; and (3) compliance with laws and regulations.

Performance Objectives: By the end of FY 2000 and every year thereafter, obtain unqualified (clean) audit opinions on 100 percent of annual financial statements including all eight bureaus, the Departmental Offices, and the Department's consolidated statements. This represents an increase from the 90 percent level actually achieved with the FY 1997 financial statements (as accomplished in FY 1999). By the end of FY 2005, obtain clean opinions on the Internal Control and Compliance with Laws and Regulations opinions for all eight bureaus, the Departmental Offices, and the Department.

In FY 1999, the Department and all bureaus publishing financial statements received unqualified audit opinions. The Bureau of Reclamation did not publish separate financial statements in FY 1999. The FY 2000 audit results are expected by March, 2001. FY 2001 reports will be published for all bureaus.

Audit Opinions

	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Plan	FY 03 Plan
Unqualified opinions on financial statements	9 of 9 *	10 of 10	**	10 of 10	10 of 10	10 of 10
No exceptions in report on internal controls (departmentwide)	11	10	**	8	6	4
No exceptions in compliance with laws and regulations (departmentwide)	7	5	**	4	3	2

* BOR did not issue a separate financial statement for FY 1999. MMS published financial statements on custodial revenue only.

** Due date for completion is March 1, 2001. MMS will separately report appropriated funds but audit the ending balance only.

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Performance Measure - Correction of Material Weaknesses And Audit Recommendations

A number of management control weaknesses are identified in bureau and office self-assessments, and in program and financial statement audits by the Office of Inspector General. In addition, audit recommendations reported by the OIG, the General Accounting Office (GAO), and those reported by professional audit firms through single audits need to be implemented in a timely manner.

Performance Goal: The Department's goal is to correct 75 percent of the audit recommendations reported in financial statement audits, OIG program and operation audits, single audit findings, and GAO reports within one year of the date of referral to the Department for tracking of implementation. We also plan to complete 75 percent of corrective actions for material weaknesses disclosed in bureau self-assessments within the original planned targeted completion date.

Performance Objectives: By the end of FY 2005, the Department intends to complete 100 percent of all planned corrective actions for material weaknesses by the original target date (compared to 60 percent actual achieved in FY 1999). Additionally, the Department plans to implement 90 percent of all OIG and GAO audit recommendations within one year of referral (compared to 70 percent actually achieved in FY 1999.)

The Department's FY 2000 objective with respect to audit recommendations is to implement within one year 65 percent of the audit recommendations reported in financial statement audits, OIG program audits, single audits, and GAO reports. This was accomplished as a 70 percent rate was achieved. The Department's FY 2000 objective with respect to material weaknesses is to complete corrective actions on 70 percent of all reported material weaknesses by the original targeted correction date. This was not accomplished as only a 67 percent rate was achieved. One of the three weaknesses, originally scheduled for completion in FY 2000, slipped due to additional corrective actions being added to the corrective action as a result of a GAO audit report.

Correction of Material Weaknesses and Audit Recommendations

	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Plan	FY 03 Plan
Correction of audit recommendations	61%	65%	70%	75%	80%	95%
Correction of material weaknesses	50%	70%	67%	80%	90%	90%

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

Performance Measure - Prompt Pay

The Prompt Payment Act requires that payments be made within 30 days of receipt of invoice; otherwise, the federal government is required to pay interest. Performance is measured by the number of payments without interest penalties to the total number of payments subject to the Prompt Payment Act. Over the past several years, the number of payments subject to the Prompt Payment Act has shown a steady decline. This decrease is primarily attributable to the Department's increased use of the governmentwide purchase charge card.

Performance Goal: The Department's goal is to pay 97 percent of its invoices without late payment interest penalties.

Performance Objective: By the end of FY 2001 and every year thereafter, each bureau will maintain a percentage of 97 percent or better for payments not requiring interest penalties. Interior's percentage of payments not requiring interest penalties increased from 96 percent to 97.4 percent in FY 2000. This improvement effort will continue during FY 2001 and beyond, as the Department expects to further improve prompt payment performance by using new technologies and best practices. Estimated FY 2001 and beyond performance targets are indicated in the following table:

Prompt Pay

	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Plan	FY 03 Plan
Percent of payments not requiring interest penalties	95.9%	97%	97.4%	97%	97%	97%

Performance Measure - Use of Electronic Funds Transfer (EFT)

The Debt Collection Improvement Act of 1996 (DCIA) requires that all payments be made by EFT by December 31, 1998, unless covered by waiver.

Performance Goal: The Department's goal is to use EFT, including charge cards, to the maximum extent possible except for those payments covered by waiver.

Performance Objective: By the end of FY 2001, the Department will process 98 percent of salary payments, 88 percent of vendor payments, 92 percent of miscellaneous payments by EFT, and 91 percent of purchases of $25,000 or less via a charge card.

In order to achieve the stated objectives, the Department has increased the use of the governmentwide purchase charge card, minimized the use of imprest funds and third party drafts, and required new vendors and employees to enroll for EFT payments. Also, we are investigating the use of the Central Contractor Registry to facilitate vendor enrollment for EFT. Estimated FY 2001 and beyond performance targets are shown below:

Electronic Funds Transfer

	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Plan	FY 03 Plan
Salary	97.9%	98%	98%	98%	98%	98%
Vendor	61.1%	95%	76.5%	80%	80%	80%
Miscellaneous	83.5%	85%	91.6%	92%	92%	92%
Charge Card	88.2%	90%	94%	91%	91%	92%

Performance Measure - Referral of Eligible Debt

The Debt Collection Improvement Act of 1996 requires agencies to refer eligible 180 day delinquent debt to the Department of the Treasury for cross-servicing and, if necessary, offset action.

Performance Goal: Refer all eligible 180 day delinquent debt to the Department of the Treasury in compliance with the DCIA.

Performance Objective: Achieve a 90 percent referral rate by the end of FY 2001. The Bureau of Indian Affairs is nearing completion of an intensive effort to improve performance of debts related to irrigation services involving approximately $15 million. This effort, when completed, will greatly improve the percentage of referral of eligible debt to Treasury's Financial Management Service. Estimated FY 2001 and beyond performance targets are shown in the following table:

Referral of Eligible Debt

	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Plan	FY 03 Plan
Percent of eligible debt referred to Treasury *	88%	90%	80%	90%	92%	94%

* Eligible debt excludes amounts in litigation and amounts currently being considered by agency for compromise.

Performance Measure - Reduce SmartPay Program Employee Delinquent Accounts

In acknowledgment of the need to improve the Department's performance in the area of 60 days and over delinquent charge card accounts, Interior has created a departmentwide goal to reduce the delinquencies to one percent, exclusive of former employees.

Performance Goal: The Department's goal is to reduce the amount of 60 days and older delinquent charge card accounts to below the commercial level of the total outstanding balance, exclusive of former employees.

Performance Objective: By the end of FY 2001 achieve a level of SmartPay Program 60 days or older delinquent charge card accounts of two percent of the total outstanding balance and a level of one percent for each year thereafter. FY 2001 and beyond performance targets are shown below:

SmartPay Delinquent Accounts

	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Plan	FY 03 Plan
Percent of SmartPay Program Employee Delinquent Accounts (60 days or older)	N/A	N/A	3.1%	2%	1%	1%

Strategic 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.

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 supporting management decisions. Combining cost data with performance data further enhances the reporting of information to managers.

Performance Goal: The Department's objective is to increase the reporting of performance information in Interior's Accountability Report and in bureau level reports, improve the reporting of cost information in the Accountability Report, and increase cost information related to GPRA goals.

Performance Objective: By the end of FY 2001 and each year thereafter, report 100 percent of the high-level annual performance measures in the Accountability Report, report costs for 100 percent of GPRA program activities starting in FY 2000, and report costs for bureau goals as part of the GPRA annual performance plan beginning in FY 2001 at 20 percent and increasing to 100 percent by 2006.

Combining Financial Statements with Performance Data

	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Plan	FY 03 Plan
Ratio of selected, high-level annual performance measures reported in the DOI Annual Accountability Report	100%	100%	*	100%	100%	100%
Percent of GPRA Program Activities reporting cost measures in the Accountability Report	95%	100%	*	100%	100%	100%
Percent of bureau annual performance goals capturing actual costs	N/A	N/A	*	20%	40%	60%

* Due date for completion is March 1, 2001.

Performance Measure - Interim financial statements and performance reports

The Department strives to prepare interim financial statements for all bureaus and the Department, and improve the availability of financial and budget information to Interior management.

Performance Goal: The Department's goal is to produce two interim financial statements and one interim report on performance data during the year.

Performance Objective: By FY 2001 and each year thereafter, produce interim financial statements, including the Statement of Budgetary Resources, for each bureau and the Department using the Consolidated Financial Statement application.

Interim Financial Statements and Performance Reports

	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Plan	FY 03 Plan
Number of interim financial statements	0	2	1	2	2	2
Number of interim reports on performance data	1	1	1	1	1	1

Benchmarking of Financial Management Functions and Operations

The Department feels strongly that it needs to continually evaluate how well it is doing compared to its peers in government and industry. To assess its performance, the Department uses benchmarking, which is the comparison of similar processes across organizations, companies, and industries to identify best practices.

In 1998, the Department continued the best practices analysis by participating in a government-sponsored benchmarking study conducted by The Hackett Group for 11 federal and state agencies. The Hackett Group specializes in business reengineering to provide technical expertise and a database application with detailed process definitions that were 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 benchmarking study covered over 20 finance processes.

The agencies were 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 database, although not as good as those in the first quartile (i.e., the top performers). *Exhibit 1-1* presents some of the more significant results of the government study and comparative results for the Department.

Based on the latest financial benchmarking study, the Department is focusing efforts in two areas:

- Reducing transaction processing costs; and
- Increasing analyst support to finance and program managers, comparable to the amount of support provided in commercial organizations.

These strategies are reflected in the initiatives identified in this plan.

Exhibit 1-1

Government Study Results	Department of Interior Results
On average, each agency in the study spent $56.4 million annually on finance	DOI spends $67.6 million annually on selected finance functions
Finance cost represents 0.85 percent of revenue	Finance cost represents 0.6 percent of revenue
Finance staff is equivalent to 101 FTEs per $1 billion of revenue	Finance staff is equivalent to 70 FTEs per $1 billion of revenue
Finance staff spend 79 percent of their time on transaction processing	Finance staff spend 84 percent of their time on transaction processing
The government's finance cost is higher than the first quartile	DOI finance cost is lower than the first quartile
The government's FTEs per $1 billion are higher than the first quartile	DOI's FTEs per $1 billion is within the first quartile
Overall core processes are lower than first quartile	Overall core processes are comparable to the first quartile