

## CHAPTER 5. ENSURING MANAGEMENT ACCOUNTABILITY AND CONTROL

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

Interior 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 the Department's 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 decisionmaking at all levels.

Further, the Department firmly believes that the timely implementation of Office of Inspector General (OIG), General Accounting Office (GAO), and Single Audit recommendations are 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 twofold: (1) to ensure that a sound system of management controls exists in all programs, organizations, and functions and meets the objectives and requirements of Federal Managers' Financial Integrity Act and OMB Circular A-123; and, (2) to implement an effective and systematic approach to assessing management controls that integrates other management improvement initiatives within the Department.

## ***FY 2000 Accomplishments***

- ***Provided Reasonable Assurance Objectives Were Met:*** Based on the results of midyear and year-end progress reviews, the Department can again provide reasonable assurance to the President and the Congress that, with the exception of BIA and OST, 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 2000, the Department completed corrective action on two of its 17 pending material weaknesses carried over from FY 1999. This represented 67 percent of the material weaknesses planned for correction in FY 2000, thus missing the achievement of its annual GPRA performance goal of completing corrective action on 70 percent of material weaknesses by the originally scheduled target date. One material weakness slipped due to the expansion of its corrective action plan. In addition, the Department reported five new material weaknesses: two Department weaknesses, and one each in the Bureau of Reclamation, the National Park Service, and the U.S. Geological Survey, all of which have post-FY 2000 planned correction dates. Over the years, the Department has identified and reported 171 material weaknesses and 64 accounting system non-conformances. At the end of FY 2000, the Department had corrected 152 of the total reported material weaknesses (90 percent) and all 64 accounting system non-conformances (100 percent). Much of the progress in correcting material weaknesses was achieved over the last three years. The Department will carry forward 20 pending material weaknesses into FY 2001, of which seven are identified as mission critical weaknesses.
- ***Continued Institutionalizing the Management Control Automated Assessment Approach:*** The automated assessment approach was developed in a Reengineering Lab in 1997. During 1998 to 1999, the Department successfully pilot-tested the automated assessment approach in 21 different programs and administrative functions. 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 FY 2000, bureaus began to use the new Internet version of the automated assessment approach and conducted over 23 management control assessments, or 48 percent of all bureau assessments performed and utilized in the annual assurance process. The Department expects this percentage rate to increase in FY 2001 and thereafter.
- ***Prepared the FY 1999 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 Government Performance and Results Act data that link programmatic and financial accountability performance.

### ***FY 2001 Planned Actions***

- Institute a management control quarterly progress automated status reporting program with bureaus and offices to support the oversight performed by the Management Control and Audit Follow-up Council.
- Prepare and issue the FY 2000 Annual Accountability Report by March 1, 2001.
- Complete corrective actions on five of the 19 pending material weaknesses carried over from FY 2000.
- Complete the development and issuance of the Departmental Management Control and Audit Follow-up Handbook.
- Assist bureaus in implementing the Internet version of the management control automated assessment approach.

### ***Ongoing Activities***

- Continue progress toward the achievement of the Association of Government Accountant's Certificate of Excellence in Accountability Reporting.
- Accelerate Department validation of the implementation of material weakness corrective actions.
- Complete corrective actions on the remaining material weaknesses carried over from FY 2000, and ensure that other material weaknesses are promptly identified, reported to senior management, and corrected.
- Work with the OIG and the Department's Chief Information Officer to develop a more effective and efficient approach for assessing whether adequate computer security is being provided on computer systems, including financial management systems and financial data.
- Conduct a feasibility study about the Department providing technical guidance and support through the National Business Center to other federal agencies in planning and conducting automated management control assessments over the Internet.

### **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 2000 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 nonprofit 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 report, and determining the allowability of any expenditure of federal funds which have been questioned by the auditor. During 2000, the Department was successful in closing approximately 92 percent (337 of 372) 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 2000, approximately 75 percent of these audits were closed and \$3.1 million of \$6 million (52 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 2000. Approximately 45 percent of the FBU audits pending during the year were closed. These closed audits involved \$4.7 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 2000. As a result of this aggressive monitoring activity, the total number of audits in this category declined by approximately 70 percent for the year. Those audits still pending involve recommendations with long-term and multifaceted 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 follow-up program workload. During FY 2000, 27 final audit reports were issued. These audits contained 24 recommendations of which 75 percent were implemented by the end of the year. The remaining recommendations involve actions that appear to be cost-prohibitive or represent policy changes.

***FY 2001 Planned Actions***

- Implement a new Audit Tracking System to track audit follow-up actions. The new system will facilitate more effective monitoring of audit progress linked to a new system being developed by the Department's Office of Inspector General. This system will have improved functionality and ad hoc report capabilities and will enable the Department to consolidate tracking of audit follow-up recommendations (both programmatic and financial management) from OIG, GAO and Single Audit recommendations, and provide for direct bureau updates on the status of corrective action and implementation activities.
- Institute a quarterly automated status reporting program with bureaus and offices to support the oversight performed by the Management Control and Audit Follow-up Council, and improve and expand progress reporting and oversight during monthly Interior Management Council meetings.
- Complete the development and issuance of a Departmental Management Control and Audit Follow-up Handbook.
- Establish a quarterly audit follow-up newsletter that will be posted on the Office of Financial Management web site.

***Ongoing Activities***

- Continue to improve the rate of implementing audit recommendations, collecting disallowed costs, and closing audits.
- Initiate appropriate actions to facilitate mutual agreements on audit recommendations and corrective actions between OIG and GAO auditors and bureau and office management before final audit reports are issued. This action should substantially reduce the number of audit recommendations referred to the Department for final resolution and promote more timely implementation of audit recommendations.
- Accelerate Department validation of the implementation of audit recommendations and corrective actions.