

Part 5. Appendices

Improper Payments Information Act Reporting Details

Description of the Risk Assessment Process

Interior's Management Control Guidance for FY 2004 issued November 10, 2003, required managers to conduct risk assessments of all programs meeting OMB's definition of "program" (see *Table 1-22* in Part 1, Compliance with Legal and Regulatory Requirements section) to determine if any programs were risk-susceptible for making significant improper payments. The risk assessments were used to establish risk profiles for all bureau programs. In particular, three programs of the Department were initially thought to have potential for meeting the threshold of significant erroneous payments. This determination was based on prior audit and management control review efforts. The three programs are: (1) Bureau of Indian Affairs (BIA)- Indian Self-Determination and Education Act (PL 93- 638), (2) U.S. Fish and Wildlife Service (FWS) - Federal Aid Program, and (3) the Office of Insular Affairs (OIA) - Financial Assistance Program. The managers of these three programs were required to make a more in-depth risk assessment. *Table 5-1* summarizes these program reviews.

TABLE 5-1

Summary of Programs Reviewed as Potentially High Risk				
Bureau/Program	Annual Outlays (millions)	Major Review Component	High Risk Determination	Planned Enhancements Based on Review
BIA PL 93-638 *	1,725	OMB A-133 and Single Audit Act	Not High Risk	<ul style="list-style-type: none"> Quantify and describe the nature of services to be provided. Describe the award recipient population and method of program delivery. Identify appropriate performance metrics.
FWS Federal Aid (43 & 50 CFR)	466	OMB A-133 and Single Audit Act	Not High Risk	<ul style="list-style-type: none"> Approximately 50% of the States have "pre-audit" reviews. Increased emphasis will be placed on "pre-audit" reviews. Individual grantees determined to be "high risk" will be required to submit invoices for approval prior to drawdowns.
OIA Annual Interior Appropriations	397	OMB A-133 and Single Audit Act	Not High Risk	<p>Developed a financial assistance manual to ensure that funds are properly managed.</p> <p>(See http://www.doi.gov/oia)</p>

* By statute, the Secretary has limited ability to monitor third-party payments made by Tribes and Tribal organizations.

Description of the Departmental Functional Review (DFR) Process:

The Office of Financial Management (PFM) developed a DFR questionnaire based on requirements from Treasury, OMB, and IPIA. Questionnaires were developed for five different subject areas: finance, grants, payroll, time and attendance, and charge cards (for small purchases). Prior to issuance, the questionnaires were reviewed and refined by subject matter experts within the Department. Subject matter experts are employees with direct knowledge and/or hands-on experience in the above identified payment areas. The questionnaires were posted to a secure web site for employee access. PFM obtained a list of employee candidates to complete the questionnaires from the subject area experts. The questionnaires were completed in June 2004. The responses for all of the questionnaires were tabulated using the automated management control assessment tool.

The questionnaire for finance was the most detailed, covering all payment types including travel-related payments. The other four questionnaires were for specific payment types; i.e., grants, payroll, time and attendance, and charge cards. *Table 5-2* provides the number of questionnaires sent and the number of responses received.

As shown, 51% of the candidates responded. Over 85% of the respondents were non-supervisory and non-management personnel. An integrity score of 2.5 or greater indicates that the internal control processes are sufficient. An assessment score below 2.5 indicates a potential weakness. Bureaus are required to re-examine the areas that scored below 2.5 and adjust the processes and/or provide additional training as needed.

The results of the DFRs submitted by the bureau Finance Officers are illustrated in *Figure 5-1*. The diagram compares the collective scores from all the respondents in six payment processing areas assessed: control environment, vendor, travel, grants, charge card, and payroll. Each of the areas scored higher than the standard desirable level of 2.5.

Also examined were four specific payment types by the program offices: grants, charge card, payroll, and time and attendance. Each questionnaire contained three sections: Control Environment, Specific Payment Type – Subject Area Expert, and Miscellaneous Information (this section contained general information about the person responding – e.g., bureau, job series, etc.). Questionnaire responses were anonymous. Results of the scoring for the general control environment are summarized the sections that follow.

Control Environment

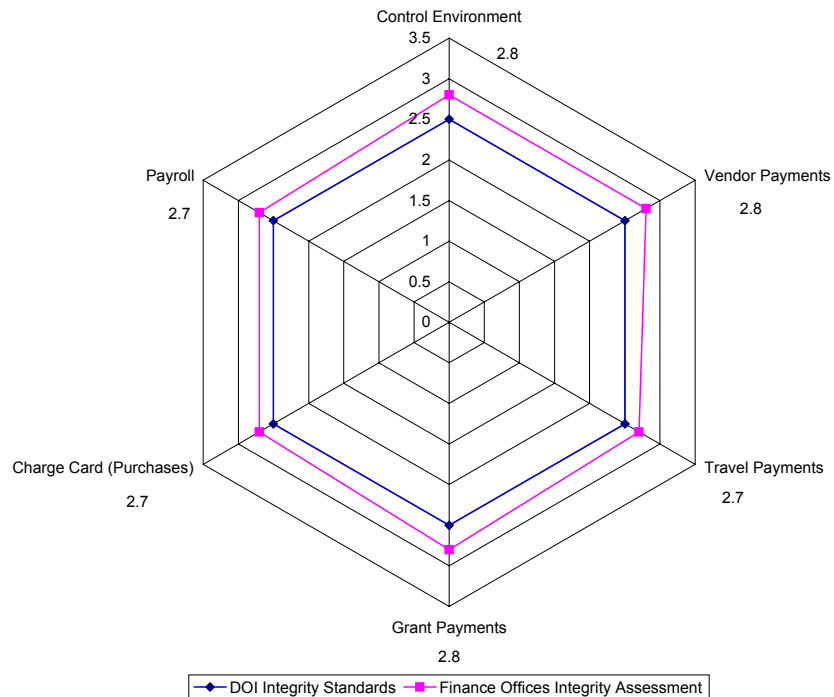
Figure 5-2 shows a comparison of the responses by the various respondents. The lowest integrity scores were for Payroll, and Time and Attendance, which had scores of 2.1 and 2.3, respectively. As a result of the slightly lower scores in payroll and time and attendance, the Department recommended that a specific segment on internal controls be included in future training for these employees. We also recognize the need to continuously perform reviews and assessments of internal control processes as inevitable business process changes occur.

TABLE 5-2

Department-Wide Functional Review Payment Processing			
Payment Types	Surveys Sent	Surveys Received	Percent Received
Finance Offices	11	7	65%
Time and Attendance	83	46	55%
Grants	82	34	41%
Charge Cards	59	35	59%
Payroll Operations	20	9	45%
Total	255	130	51%

FIGURE 5-1

Finance Offices Integrity Scores



Conclusion

Based on the results of the risk assessments and the DFR, the Department believes that sufficient internal control processes exist to minimize the occurrence of improper payments and that processes are in place to perform recovery audits and recover overpayments.

Recovery Audits

Toward the end of FY 2003 the Department selected PRG Schultz to perform recovery audit services. PRG Schultz started working with the Office of the Secretary and performed a pilot effort to set up its program. By the end of FY 2004, all bureaus had issued a task order engaging PRG Schultz to perform recovery auditing services. *Table 5-3* summarizes Interior’s recovery audit activities during FY 2004.

All bureaus, except for the Office of the Secretary, began working with the contractor late in the fiscal year. The figures shown in *Table 5-3* relate primarily to the work that the contractor accomplished for the Office of the Secretary during the pilot effort started in early FY 2004.

The recovery audit contractor and the Department are reviewing payments identified in the “Amount Pending Resolution” column shown in *Table 5-3*. The recovery audit process includes a review step to reasonably confirm that the payments identified through data mining and other techniques are valid overpayments before recovery notices are issued. In such cases, the recovery notices are issued within weeks after discovery and confirmation. This is an ongoing process and will continue until we reach a point where such activities are no longer cost-beneficial.

Since this was Interior’s first year using a recovery auditor, we do not have a sound basis to project expected recoveries. The amounts recovered so far are almost exclusively the result of the pilot program conducted in the Office of the Secretary. The remaining bureaus did not begin recovery audit efforts until late in FY 2004. However, we conservatively estimate that the amount of FY 2005 recoveries will exceed FY 2004 amounts by a factor of ten.

Most of Interior’s funds are single year appropriations. Consequently, most recoveries will be made after the funds have expired and must be returned to the General Fund of the U.S. Treasury. In accordance with applicable laws and regulations, the amounts returned to the U.S. Treasury are reduced by recovery contractor’s fees and program administration costs. As a function of the contractor’s efforts, we will be advised of the areas where our payment control processes can be strengthened. As we gain additional experience in this effort, we will be able to formulate meaningful corrective actions. At this time, however, it is too early to have a clear understanding of the major causes. These causes should become clear as a result of continuing and expanding recovery audit efforts in FY 2005.

FIGURE 5-2

Comparisons of Control Environment

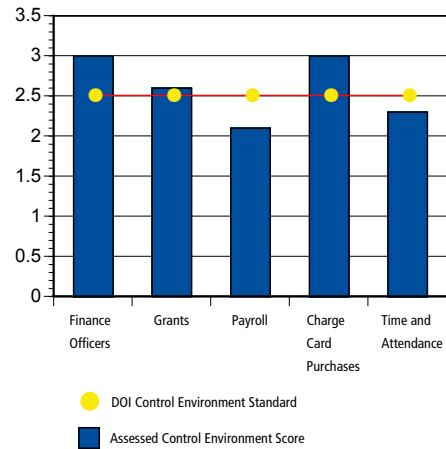
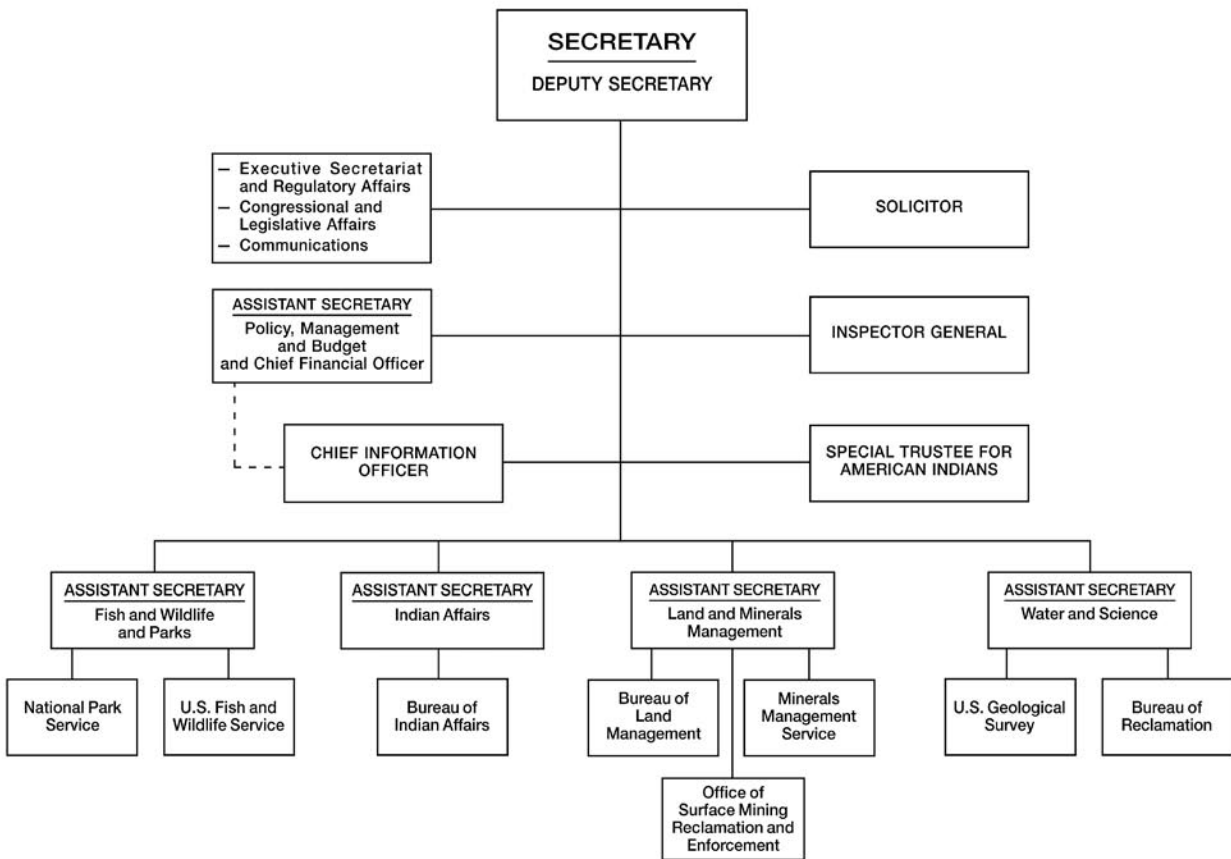


TABLE 5-3

FY 2004 Recovery Audit Activities							
Amount of Payment Errors	Amount Deemed Not Recoverable	Amount Recovered	Amount Pending Resolution	Found by Internal Agency	Found by Recovery Auditor	Agency Costs	Amount Earned by Contractor
\$231,188	None	\$39,875	\$191,313	Not tracked	\$39,875	Not tracked but very minimal	\$7,975

FIGURE 5-3

U.S. Department of the Interior



Glossary of Acronyms

AAPC	Accounting and Auditing Policy Committee
ABACIS	Advanced Budget/Accounting Control and Information System
ABC/PM	Activity-Based Costing
ACWI	Advisory Council for Water Information
AHERA	Asbestos Hazard Emergency Response Act
AMCR	Alternate Management Control Review
AML	Abandoned Mine Land
ARTF	Aquatic Resources Trust Fund
ASG	American Samoa Government
ASQ	Allowable Sale Quantity
AVS	Applicant/Violator System
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BOR	Bureau of Reclamation
BPA	Blanket Purchase Agreement
BSF	Budget Subfunction
C&A	Certification and Accreditation
C&MGP	Coastal and Marine Geology Program
CAA	Clean Air Act
CAP	Corrective Action Plan
CCA	Candidate Conservation Agreement
CCAA	Candidate Conservation Agreement with Assurances
CCI	Cooperative Conservation Initiative
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CFO	Chief Financial Officer
CIO	Chief Information Officer
CISSP	Certified Information System Security Professional
COG	Continuity of Government
COOP	Continuity of Operations
COTS	Commercial Off-the-Shelf Software
CPIC	Capital Planning and Investment Control
CRPP	Cultural Resource Preservation Program
CRV	Current Replacement Value
CSRS	Civil Service Retirement System
CUPCA	Central Utah Project Completion Act
CWA	Clean Water Act
DCIA	Debt Collection Improvement Act
DEAR	Department Enterprise Architecture Repository
DEQ	Department of Environmental Quality
DFR	Departmental Functional Review
DHS	Department of Homeland Security
DM	Departmental Manual
DMB	Deferred Maintenance Backlog
DOE	Department of Education
DOL	Department of Labor
DSS/EIS	Decision Support System/Executive Information System
EA	Enterprise Architecture
EFT	Electronic Fund Transfer

EHP	Earthquake Hazards Program
EIRF	Environmental Improvement and Restoration Fund
EPA	Environmental Protection Agency
ESN	Enterprise Services Network
FASAB	Federal Accounting Standards Advisory Board
FBMS	Financial and Business Management System
FBU	Funds Put to Better Use
FCI	Facilities Condition Index
FECA	Federal Employees Compensation Act
FEGLI	Federal Employee Group Life Insurance
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FFS	Federal Financial System
FIRM	Foundation Information for Real Property Management System
FISMA	Federal Information Security Management Act
FLPMA	Federal Land Policy and Management Act
FM	Financial Management
FMCIP	Financial Management Career Intern Program
FMFIA	Federal Managers' Financial Integrity Act
FMSF	Facilities Management System Partnership
FPPS	Federal Personnel/Payroll System
FTE	Full-Time Equivalent
FWS	Fish and Wildlife Service
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAM	Geographic Analysis and Monitoring
GAO	General Accountability Office
GBL	Government Bill of Lading
GED	General Equivalency Diploma
GISRA	Government Information Security Reform Act
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
GSA	General Services Administration
GSS	General Support Systems
HPF	Historic Preservation Fund
IACB	Indian Arts and Crafts Board
IDEAS	Interior Department Electronic Acquisition System
IEA	Interior's Enterprise Architecture
IFF	Interior Franchise Fund
IGET	Intra-Governmental Eliminations Taskforce
IIM	Individual Indian Monies
ILCP	Indian Land Consolidation Project
IMARS	Incident Management, Analysis, and Reporting System
IPIA	Improper Payments Information Act
IRB	Investment Review Board
IRRP	Indian Reservation and Roads Program
ISEP	Indian School Equalization Program
IT	Information Technology
JFMIP	Joint Financial Management Improvement Program
JOM	Johnson-O'Malley

LCS	List of Classified Structures
LEED	Leadership in Energy and Environmental Design
LHP	Landslide Hazards Program
LOB	Line of Business
LWCF	Land and Water Conservation Fund
M&I	Municipal and Industrial
MA	Major Applications
MAF	Million Acre Feet
MBF	Thousand Board Feet
MCR	Management Control Review
MMBF	Million Board Feet
MMS	Minerals Management Service
MRM	Minerals Revenue Management
MRMFS	Minerals Revenue Management Financial System
NBC	National Business Center
NCBA	National Cattlemen's Beef Association
NCIP	National Critical Infrastructure Program
NFHS	National Fish Hatcheries System
NFPORS	National Fire Plan Operations and Reporting System
NHL	National Historic Landmark
NIGC	National Indian Gaming Commission
NIIMS	National Irrigation Information Management System
NIST	National Institute of Standards and Technology
NPR	Notice of Proposed Rulemaking
NPS	National Park Service
NRC	National Resource Council
NRDAR	Natural Resources Damage Assessment and Restoration Fund
NRP	National Response Plan
NRPP	Natural Resource Preservation Program
O&M	Operation and Maintenance
OAS	Office of Aircraft Services
OCS	Outer Continental Shelf
OCSLA	Outer Continental Shelf Lands Act
OHA	Office of Hearings and Appeals
OHTA	Office of Historical Trust Accounting
OIA	Office of Insular Affairs
OIEP	Office of Indian Education Programs
OIG	Office of Inspector General
OLES	Office of Law Enforcement and Security
OMB	Office of Management and Budget
OMM	Onshore Minerals Management
OPA	Oil Pollution Act
OPM	Office of Personnel Management
OSM	Office of Surface Mining
OST	Office of the Special Trustee for American Indians
OTR	Office of Trust Records
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PFM	Office of Financial Management
PMA	President's Management Agenda
POA&M	Plan of Actions and Milestones

PP&E	Property, Plant, and Equipment
PPA	Prompt Payment Act
RCRA	Resource Conservation and Recovery Act
RIK	Royalty-in-Kind
RMIP	Records Management Improvement Project
ROW	Right-of-Way
RSSI	Required Supplementary Stewardship Information
SACAT	Standard Accounting Classification Advisory Team
SBR	Statement of Budgetary Resources
SDWA	Safe Drinking Water Act
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standards
SFRA	Sport Fish Restoration Account
SGL	Standard General Ledger
SIPI	Southwestern Indian Polytechnic Institute
SNPLMA	Southern Nevada Public Land Management Act
SPR	Strategic Petroleum Reserve
STIGS	Security Technical Implementation Guides
TAAMS	Trust Asset and Accounting Management System
TFAS	Trust Funds Accounting System
UMWA CBF	United Mine Workers of America Combined Benefit Fund
USBM	U.S. Bureau of Mines
USCERT	U.S. Computer Emergency Readiness Team
USGS	U.S. Geological Survey
USPP	U.S. Park Police
V&V	Validation and Verification
WAU	Whereabouts Unknown
WCF	Working Capital Fund
WUI	Wildland Urban Interface

List of Figures and Tables

Figures

1-1. Interior and Bureau Missions	6
1-2. Interior Lands and Indian Reservations	7
1-3. Interior's Mission, Vision, and Key Business Principles	8
1-4. Interior's Workforce.....	8
1-5. Your Department of the Interior by the Numbers	9
1-6. Department of the Interior Mission and Outcome Goals.....	13
1-7. Performance Measures Met or Exceeded	15
1-8. Percent of Targeted Wetlands, Riparian, and Upland Areas Restored in FY 2004	20
1-9. Interior Revenue Distribution	26
1-10. Visitor Satisfaction with Park Services	32
1-11. Hazardous Fuels Treatment: National Fire Plan	36
1-12. Diversity Trends	44
1-13. Travel Card Payment Delinquency	44
1-14. Recreation.gov	46
1-15. Demand for Services	50
1-16. Fiscal Year 2004 Annual Assurance Statement	56
1-17. Basis for FY 2004 Assurance Statement.....	57
1-18. Crosswalk of Activities Related to Major Management Challenges and the President's Management Agenda	57
1-19. Material Weakness Guidelines	66
1-20. Certification and Accreditation Activities	86
1-21. Count of Perimeter Servers with SANS Top 20 Listed Vulnerability.....	87
1-22. Prompt Payment Performance.....	88
1-23. Electronic Funds Transfer	88
1-24. Interior Financial Management System Architecture.....	90
1-25. Interior Financial Management Systems and Applications	91
1-26. Condensed Balance Sheet and Condensed Statement of Net Cost	100
1-27. FY 2004 Asset Categories	101
1-28. FY 2004 Liability Categories	102
1-29. FY 2004 Net Cost of Operations	102
1-30. Budgetary Resources	103
1-31. Status of Budgetary Resources.....	104
3-1. State Acreage Managed by Interior.....	242
3-2. National Wildlife Preservation System	244
3-3. National Wild and Scenic Rivers System	244
5-1. Finance Offices Integrity Scores	341
5-2. Comparisons of Control Environment	342
5-3. Department of the Interior Organization Chart.....	343

List of Figures and Tables

Tables

1-1. Strategic Goal 1 - FY 2004 Performance Measure Scorecard	16
1-2. Interior's FY 2004 and FY 2003 Scorecards	17
1-3. Interior Looks Forward	17
1-4. Mission Area 1: Resource Protection Performance and Resource Scorecard	23
1-5. Mission Area 2: Resource Use Performance and Resource Scorecard	29
1-6. Mission Area 3: Recreation Performance and Resource Scorecard	33
1-7. Mission Area 4: Serving Communities Performance and Resource Scorecard	41
1-8. Strategic Goal: Management Excellence Performance and Resource Scorecard	47
1-9. Number of Material Weaknesses Reported and Corrected or Downgraded	58
1-10. Number of Material Non-Conformances Reported and Corrected or Downgraded	58
1-11. Pending FMFIA Material Weaknesses	59
1-12. FY 2004 GPRA Performance Goal for Implementation of OIG and GAO Audits	68
1-13. FY 2004 Summary of Actions Taken on Contract, Grant, and Single Act Audits with Disallowed Costs	69
1-14. Summary of Actions with Funds to be put to Better Use (FBU) in FY 2004	69
1-15. Summary of Actions Taken on Reports Issued by the GAO in FY 2004	70
1-16. Summary of FY 2003 and FY 2004 Financial Statement Audits	70
1-17. FY 2003 Audited Financial Statements Status of Material Weakness Corrective Actions	71
1-18. FY 2003 Audited Financial Statements Non-Compliance with Laws and Regulations Status Report	73
1-19. FY 2004 Audited Financial Statements Material Weakness Corrective Action Plan	75
1-20. FY 2004 Audit Financial Statements Non-Compliance with Laws and Regulations	76
1-21. Summary of Major Management Challenges Facing Interior	77
1-22. FY 2004 Outlays by Major Program Area	85
1-23. Erroneous Payments	86
1-24. Stewardship Land	101
1-25. Stewardship Investments	101
2-1. FY 2004 Sample Program Evaluations	109
2-2. Program Assessments Conducted for Budget Year 2004	113
2-3. Results at a Glance	114
3-1. Estimated Range of FY 2004 Deferred Maintenance	230
3-2. Intragovernmental Assets	231
3-3. Intragovernmental Liabilities	232
3-4. Intragovernmental Revenue, Transfers, and Expenses	233
3-5. Intragovernmental Gross Cost to Generate Earned Revenue by Budget Functional Classification	234
3-6. Interior Stewardship Lands	243
3-7. Condition of BLM Land by Type	249
3-8. Non-Collectible Cultural and Natural Heritage Assets	251
3-9. Library Collectible Heritage Assets	254
3-10. Status of Cataloging and Condition of Cataloged Bureau Museum Collections	256
3-11. FY 2004 Interior Museum Collections by Discipline	257
3-12. FY 2004 Ratings of Locations Housing Bureau Collections and Estimated Deferred Maintenance Costs	258
3-13. Investment in Research and Development	263
3-14. Investment in Human Capital	267
3-10. FY 2004 Investment in Non-Federal Physical Property	271
5-1. Summary of Programs Reviewed as Potentially High Risk	340
5-2. Department-Wide Functional Review Payment Processing	341
5-3. FY 2004 Recovery Audit Activities	342

List of Figures and Tables

Footnote Tables

Note 2. Fund Balance with Treasury by Fund Type	167
Note 2. Status of Fund Balance with Treasury	168
Note 3. Cash	168
Note 4. FY 2004 Investments, Net.....	169
Note 4. FY 2003 Investments, Net.....	170
Note 5. Accounts and Interest Receivable from the Public	172
Note 5. Accounts and Interest Receivable from Federal Agencies	173
Note 6. Loans and Interest Receivable, Net.....	174
Note 7. Inventory and Related Property	182
Note 8. General Property, Plant, and Equipment, Net.....	183
Note 10. Assets Analysis	185
Note 11. Intragovernmental Debt	186
Note 11. Debt from the Helium Fund	187
Note 12. Advances and Deferred Revenue	188
Note 13. FECA Inflation Factors	188
Note 14. Environmental Cleanup Costs and Contingent Liabilities	189
Note 14. Capital Lease Liabilities	191
Note 15. Other Liabilities	192
Note 15. Liabilities Analysis	193
Note 16. Future Operating Lease Payments	194
Note 17. FY 2004 Net Cost by Responsibility Segment	196
Note 17. FY 2003 Net Cost by Responsibility Segment	198
Note 18. Gross Cost and Earned Revenues by Budget Subfunction Classification	200
Note 18. Intragovernmental Gross Cost and Earned Revenue by Budget Subfunction Classification	200
Note 23. Obligations by Apportionment Category	202
Note 23. Unobligated Unavailable Balance.....	204
Note 23. Reconciliation of the Statement of Budgetary Resources to the President's Budget.....	206
Note 24. Statement of Financing - Allocation of Transfers.....	207
Note 25. Indian Trust Funds Financial Statements - Cash Basis.....	209
Note 25. Indian Trust Funds Financial Statements - Modified Cash Basis.....	210
Note 26. FY 2004 Dedicated Collections.....	216
Note 26. FY 2003 Dedicated Collections.....	218
Note 28. Economic Assumptions Used to Estimate USPP Pension Plan Liability.....	220
Note 28. Components of the USPP Pension Plan Expense.....	220
Note 28. Change in the USPP Pension Plan Liability	220