

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."

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 to protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to Tribes. 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.

One of the Department's principal goals has been to ensure that the funding the American people provide is used as efficiently and productively as possible. To achieve this goal, the Department has focused on three areas: streamlining and re-engineering, improving accountability, and customer service. As a result, the Department has been a leader in the Administration's initiative to reinvent Government and implement the recommendations of the National Performance Review (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

The Department 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 managers and financial managers. To that end, the Department has established strong collaborative working relationships through the Interior CFO Council, the Interior Management Council, the Finance Officers' Partnership, and reengineering laboratories sponsored by the Department in support of NPR. In addition, the Department has an ABACIS Bureau Partnership comprised of the Minerals Management Service and the Office of Surface Mining. The partnership is based on a memorandum of understanding that states the bureaus will share resources, where possible, to streamline financial resources and to improve and streamline operations supported by ABACIS.

Interior CFO Council: In 1992, the Department formed the CFO Council to advise and assist Interior's CFO in establishing and carrying out effective departmentwide financial management policies and management controls, and in efficiently and effectively implementing the CFO Act. The Council assists in identifying bureau and departmental financial management issues for consideration by the CFO including areas requiring uniformity and consistency, initiatives crossing bureau lines, criteria for selecting and promoting financial management personnel, financial management training, and development of financial statements and integrated systems, the importance of internal controls, maximization of cost recovery, selecting program performance measures, and the generation of necessary financial management plans and reports.

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 IRM policies and standards, and reviewing IRM budgets and strategic plans for major information systems improvements.

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

Finance Officers' Partnership (FOP): 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.

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 the senior planning officials from the bureaus, as well as representatives from the Department's planning, budget, finance, human resources, and information management offices.

Federal Financial System Software Advisory Board (FFS-SAB): The FFS-SAB was established as a permanent subcommittee of the FOP 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): The SACAT was chartered by the FOP 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. The SACAT's primary functions are to effectively and efficiently address standard accounting classification and accounting model issues, standardize the Department's SGL accounts and accounting entries, to ensure internal controls and audit trails are maintained, establish and maintain consistency among the bureaus in financial reporting, and provide the accounting community with a basis for achieving a common understanding of accounting standards.

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 representa-

tives 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 government-wide 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 following 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 the National Performance Review (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 context, the Office of Financial Management has a primary leadership role in improving financial management in the Department. In this role, it assists the Department in achieving these 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, re-engineering, 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 2000 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 the Interior's mission.

Financial and Performance Management

The Department has established three primary performance goals for its financial management program. These goals are:

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

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

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.

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

Goal 1 - Integrity

Performance Measure - Audit Opinions

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 OMB, Congress, and the public of the integrity of Department’s external reporting. The following three opinions are issued annually by the Office of the Inspector General: (1) financial statements, (2) internal controls, and (3) FFMA. Auditors classify financial statements in one of three categories: disclaimer, qualified, or unqualified (clean).

Objective

Achieve and maintain unqualified (clean) audit opinions on the financial statements included in the Department’s Annual Accountability Report.

Status

The FY 1998 audited financial statement process was successfully completed in 1999. The results are summarized in Chapter 2, Exhibit 2-1. The Department and 7 of 8 bureaus received unqualified audit opinions on their respective financial statements.

Audit Opinions

Long Term Goal Measure	Actual	Targets				
	1998	1999	2000	2001	2002	2003
Financial Statement Audit Opinion	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Internal Controls Audit Opinion	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
FFMA Audit Opinion	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

Performance Measure - Correction of Audit Findings

A number of internal control weaknesses are identified by the Office of Inspector General, reported by professional audit firms through single audit findings, and the General Accounting Office (GAO). These audit findings need to be corrected in a timely manner.

Objective

Correct within one year 75 percent of the audit findings reported in financial statement audits, OIG program and operation audits, single audit findings, and GAO reports. The internal control weaknesses disclosed in these audits should be corrected within three years of being reported.

Status

During 1999, Interior continued to make significant progress in implementing audit recommendations and closing audits, and in recovering disallowed costs and other funds owed the government. Of the 320 single audits received from the Single Audit Clearinghouse, 84 percent achieved management decisions within six months from the issuance date of the audit report. By the end of the fiscal year, the Department closed 43 of 53 audits (81 percent) and recovered \$3.76 million of the \$6.7 million in disallowed costs (56 percent).

Audits conducted by the OIG, which covered programs, organizations, and financial and administrative operations of the Department, achieved a closure rate of 31 percent.

The General Accounting Office audits are a major component of Interior's audit follow-up program workload. Of the 18 recommendations submitted to Interior by GAO, 15 recommendations (86 percent) were successfully implemented.

Correction of Audit Findings

Long Term Goal Measure	Actual	Targets				
	1998	1999	2000	2001	2002	2003
Pending Internal Control Weaknesses	4	2	2	2	2	2
Inspector General Reports	31	28	25	20	15	12
GAO Reports	31	28	25	20	15	9

Goal 2 - Efficiency

Performance Measure - Prompt Pay

Payments are required to be made within a given period of time or the Department is required to pay interest. Performance is measured by the number of late payments requiring interest penalties to the total number of payments subject to the Prompt Payment Act.

Objective

Reduce the percentage of payments with interest penalties and the percentage of interest paid to a level at or below the governmentwide average of three percent.

Status

Interior's on-time payment percentage increased from 94 percent to 95.1 percent in FY 1999. In addition, the dollar amount of late payment interest penalties paid decreased by 43 percent and the number of occurrences decreased by 37 percent.

Over the past several years, the number of payments subject to the Prompt Payment Act has shown a steady decline. This decrease is attributable to the Department's increased use of the governmentwide charge card.

This improvement effort will continue and during 2000, the Department expects to achieve significantly better payment performance as a result of using new technologies and best practices.

Prompt Pay

Long Term Goal Measure	Actual (%)		Targets (%)			
	1998	1999*	2000	2001	2002	2003
Percentage of payments requiring interest penalties based on number of payments	6.0%	4.9%	3.0%	3.0%	3.0%	3.0%
Interest paid (\$ in 000s)	\$900	\$447	\$400	\$400	\$400	\$400
Interest paid as a percentage of payments	.04%	.03%	.02%	.02%	.02%	.02%

* as of June 30, 1999

Performance Measure - Use of Electronic Funds Transfer (EFT)

The Debt Collection Improvement Act of 1996 required that all payments be made by EFT by December 31, 1998, unless covered by waiver as measured by the percentage of total payments issued that were made via electronic mechanisms.

Objective

Use electronic funds transfer to the maximum extent possible to include all payments except those covered by waiver.

Status

Use of Electronic Funds Transfer

Long Term Goal Measure	Actual (%)		Targets (%)			
	1998	1999 *	2000	2001	2002	2003
DD/EFT Salary Payments	90	97	98	98	99	99
Vendor Payments via EFT & Purchase Card	25	55	95	96	97	99
Miscellaneous Payments via EFT, purchase card, and other electronic means	55	80	85	90	95	99

* as of June 30, 1999

Performance Measure - Transfer of Eligible Debt

The DCIA requires agencies to transfer eligible debt to the Department of the Treasury.

Objective

Transfer all eligible debt to the Department of the Treasury in compliance with the DCIA.

Status

Transfer of Eligible Debt

Long Term Goal Measure	Actual (%)		Targets (%)			
	1998	1999 *	2000	2001	2002	2003
Percentage of Eligible Debt	80%	86%	90%	92%	93%	94%

* as of June 30, 1999

Goal 3 - Reporting

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 better support management decisions. Combining cost data with performance data adds to its value to managers.

Objective

Increase the reporting of performance information in the Department's Accountability Report and in bureau level reports and increase the number of measures that include cost information.

Status

In the FY 1998 Accountability Report, the Department expanded the reporting of performance information and increased the number of measures that included cost information. A total of 15 bureau performance measures were reported to support the Department's five general natural and cultural resources goals. In addition, seven bureau performance measures were reported to support the Department's partnership and collaborative effort goals.

Combining Financial Statements with Performance Data

Long Term Goal Measure	Actual	Targets				
	1998	1999	2000	2001	2002	2003
Ratio of selected, high-level annual performance goals reported in the Department's Annual Accountability Report	15%	100%	100%	100%	100%	100%
Percent of Accountability Report measures involving costs	10%	20%	30%	40%	40%	40%
Ratio of bureau annual performance goals reported in bureau's annual report	15%	30%	40%	50%	50%	50%
Percent of bureau reported measures involving costs	10%	20%	30%	40%	40%	40%

Performance Measure - Interim financial and performance statements

Produce interim financial statements for all bureaus and the Department, and improve the availability of financial and budget information to Interior management. This would be measured by the number of interim reports produced during the fiscal year.

Objective

Produce interim financial statements twice during the fiscal year and one interim report on performance data.

Status

Interim financial statements were prepared for each bureau and the Department during the third quarter of FY 1999 using the Hyperion Enterprise Consolidated Financial Statement application. This application will also be used by each bureau and the Department to prepare FY 1999 financial reports and FY 2000 quarterly financial statements.

Interim Financial and Performance Statements

Long Term Goal Measure	Actual	Targets				
	1998	1999	2000	2001	2002	2003
Interim financial statements published for internal use by management	Once as of 6/30	Twice, as of 3/31 and 6/30	At the end of each quarter	At the end of each quarter	Monthly	Monthly
Interim performance data based on annual performance reports published for internal use by management	None	Once, as of 6/30	Twice, as of 3/31 and 6/30	At the end of each quarter	At the end of each quarter	At the end of each quarter

Benchmarking of Financial Management Functions and Operations

The Department feels strongly that it needs to continually evaluate how well it is doing against the best 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 re-engineering 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 data base, 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.

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

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

- Reducing transaction processing costs.
- 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.