

CHAPTER 2. IMPROVING FINANCIAL ACCOUNTABILITY

GOAL: Prepare timely, unqualified bureau and consolidated financial statements and make financial management information accessible throughout the year

The Department is committed to preparing and publishing complete, concise, understandable, and meaningful information about the financial and operating performance of the Department and the individual bureaus, offices, and programs which comprise the Department. The Chief Financial Officers' Act (CFO Act), as amended by the Government Management Reform Act (GMRA), requires agencies to prepare and publish annual agency-wide financial statements beginning with FY 1996.

The Department's financial reporting goals are to achieve and maintain unqualified audit opinions for departmental and bureau financial statements, to strengthen financial controls, and to ensure that financial data produced for management decision-making is reliable, verifiable, and consistent with the annual audited financial statements.

In FY 1996, the Department prepared its first Accountability Report under a pilot program established by the Office of Management and Budget under the Government Management Reform Act (GMRA). The Department's Accountability Report provides readers with consolidated financial statement data and information on operating performance and management integrity which demonstrates Interior's stewardship over the assets, missions and responsibilities entrusted to it. The report integrates the multiple financial management and performance measurement requirements of the CFO Act, the Government Performance and Results Act (GPRA), the GMRA, and the Federal Managers' Financial Integrity Act (FMFIA) into a comprehensive process.

The Department continues to prepare Accountability Reports on an annual basis, revising and expanding the content of the report as necessary to adapt to changing requirements and to meet the needs of interested parties. The Department's financial reporting strategy also includes the preparation of bureau annual reports and financial statements. The Department believes that there are significant and long-term benefits of bureau-wide statements, including verification of the financial and cost accounting data used by management, presentation of a clear and concise summary of bureau operations, accomplishments and concerns, and identification and correction of operating weaknesses such as inventory management and collection of accounts receivable by working capital funds.

Improving Financial Management Reporting

The Department's goals are to prepare timely, unqualified bureau and consolidated financial statements and to make financial management information accessible throughout the year.

FY 1999 Accomplishments

During FY 1999, the Department continued to improve reporting of financial information. Significant accomplishments include the following:

- *Prepared the Department's third Accountability Report under an OMB-sponsored pilot program:* The FY 1998 Accountability Report included audited consolidated financial statements for the Department, which for the second year in a row, received an unqualified audit opinion.
- *Prepared and audited FY 1998 financial statements for eight of the Department's nine bureaus and operating components:* Of the eight audited Interior bureaus, seven bureaus received unqualified audit opinions, indicating that the financial information presented was fairly stated in all material respects. The Bureau of Indian Affairs received a qualified opinion on its financial statements. The Minerals Management Service, due to ongoing operational issues, will have its FY 1998 financial statement information audited as part of the FY 1999 financial statement audit process. All bureaus and operating components continue to demonstrate significant progress in improving the quality of financial data and financial statement presentation. *Exhibit 2-1* presents a summary of the Department's progress in the preparation and audit of financial statements.
- *Participated in the Association of Government Accountants (AGA) Certificate of Excellence Program:* The Department's FY 1997 Accountability Report was submitted for review during the pilot testing of the program. The comments received from this review were used to improve Interior's FY 1998 Accountability Report. As a result of the successful AGA pilot program, the Department has once again, submitted its FY 1998 Accountability Report for review.
- *Enhanced the Consolidated Financial Statement (CFS) application to permit bureau access to the Hyperion Enterprise application:* This system enhancement allows each bureau finance office to participate directly in the data collection process via its own Hyperion site. This capability will be used in preparing the FY 1999 financial statements within the Department (see Chapter 3 for further information).

Exhibit 2-1

**Department of the Interior
Financial Statement Audit Results
FY 1991 through FY 1998**

	Fiscal Year 1991	Fiscal Year 1992	Fiscal Year 1993	Fiscal Year 1994	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998
Department Consolidated				(F/S prepared but not audited)	Qualified	Qualified	Unqualified	Unqualified
Fish and Wildlife Service	(F/S prepared but not audited)	Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified
Geological Survey	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Qualified	Unqualified	Unqualified	Unqualified
Bureau of Indian Affairs	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Qualified	Qualified	Qualified	Qualified
Bureau of Land Management	Disclaimer	Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified
Minerals Management Service	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	No Opinion
Bureau of Mines	(F/S prepared but not audited)	Unqualified	Unqualified	Unqualified	Unqualified	(Bureau Eliminated)		
National Biological Service (established Nov 1993)				Unqualified	Unqualified	(Bureau Merged with USGS)		
National Park Service	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Unqualified	Unqualified	Unqualified	Unqualified
Bureau of Reclamation	Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Office of Surface Mining Reclamation & Enforcement	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Departmental Offices	(F/S prepared but not audited)	Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified
Office of Territories and International Affairs	(F/S prepared but not audited)	(F/S prepared but not audited)	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Combined with Departmental Offices

PLANNED ACTIONS

Ongoing Activities

- Continue to prepare and audit bureau and Department annual financial statements.
- Further streamline the financial data collection process to permit more timely preparation of the annual audited financial statements as well as the preparation of periodic unaudited financial reports for management. This will include continued enhancement of the CFS application to further streamline the process. The streamlining will provide a single FACTS II submission to the Department of the Treasury for FY 1999 information and a single FACTS I submission that the Department provides.
- Enhance the amount of segment and program information presented in the Accountability Report including both financial and GPRA performance information.

FY 2000 Planned Activities

- Complete the preparation and audits of the FY 1999 consolidated financial statements by the target date of February 1, 2000 or no later than the statutory deadline of March 1.
- Begin preparing quarterly financial statements for bureaus and operating components.
- Investigate more cost-effective approaches to the audit of Department, bureau, and operating component financial information to ensure the continuing preparation and publication of meaningful financial information.

FY 2001 and Beyond Planned Activities

- Continue to improve the quality and timeliness of financial reporting.
- Test preparation of monthly financial statements for bureaus and operating components.
- Achieve unqualified audit opinions for all bureau and operating component financial statements and the Department's consolidated financial statements.

Correction of Federal Financial Management Improvement Act Deficiencies

The Federal Financial Management Improvement Act of 1996 (FFMIA) builds upon and complements the CFO Act, the Government Performance and Results Act, and the Government Management Reform Act. The FFMIA requires that federal agencies conform to the governmentwide Standard General Ledger, comply with all applicable Federal accounting standards, and establish financial management systems that support full disclosure of Federal financial data, including the full costs of Federal programs and activities. The auditor is to include a statement regarding compliance with these provisions in the audit report on agency financial statements. If an agency is not in compliance with these requirements, the FFMIA requires that the agency head establish a remediation plan necessary to bring the agency's financial management systems into substantial compliance.

For fiscal year 1998, the Office of the Inspector General (OIG) reported in its opinion on the Department's consolidated financial statements that one bureau, the Bureau of Indian Affairs (BIA), was not in compliance with the FFMIA. The OIG found that BIA's automated information system was not in compliance with the FFMIA due to departures from certain requirements of Office of Management and Budget Circulars A-127, *"Financial Management Systems,"* and A-130, *"Management of Federal Information Resources."* BIA agrees that the identified weaknesses constitute an exception under the FFMIA.

Corrective actions are underway by BIA to address these recommendations. These actions include:

- Transferring the IMB mainframe operations to the U.S. Geological Survey's host computer's operating, security, and automated job scheduling systems.
- Holding the BIA Information Technology Security Manager accountable for performing the responsibilities of the position via evaluations based on the incumbent's performance standards and position description. BIA also augmented its IT security staff.
- Removing all safety hazards from the computer operations room.
- Issuing a task order for the strategic and tactical plans that will provide direction to and define the functions of the Operations Service Center.
- In accordance with the schedule established by the IT security plan and OMB Circular A-130, periodically evaluating the system security program to assess its effectiveness.
- Working with the departmental information resources management staff to identify and develop LAN and web-based security awareness training.
- Initiating risk assessments during fiscal year 1999.