



Financial Management Status Report and Strategic Plan 2000 - 2004

Required by the Chief Financial Officers Act of 1990



September 1999
U.S. Department of the Interior



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240



Ms. Deidre A. Lee
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SEP 13 1999

Dear Ms. Lee:

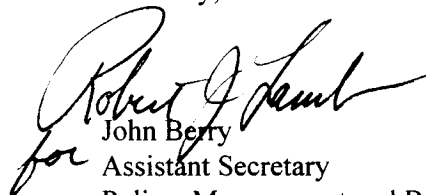
I am pleased to submit the Department of the Interior's 1999 Financial Management Status Report and Strategic Plan in support of the Chief Financial Officers (CFO) Act of 1990. This plan summarizes the significant accomplishments achieved in fiscal year 1999 and outlines an aggressive agenda for the continued improvement of financial management within the Department over the next five years.

During 1999, the Department continued to advance the three management goals that were introduced in last year's report. These management goals are: (1) to ensure that the Department is accountable to the public in the use of Federal resources provided by Congress; (2) to build a diverse Department that reflects the strength and creativity of all America's people; and (3) to create a quality workplace that attracts and retains the brightest workforce -- a workforce that will accomplish Interior's mission of stewardship, customer service, and economic development with integrity and vigor. These three goals are an integral part of this financial management strategic plan. In addition, the plan is consistent with the goals, strategies, and initiatives described in the June 1999 *Federal Financial Management Status Report and Five-Year Plan*, issued jointly by the Office of Management and Budget and the governmentwide Chief Financial Officers Council.

Over the past several years, we have made significant progress in improving accountability and financial management by streamlining organizations, reengineering business processes, improving customer service, and using technology to improve the efficiency and the delivery of financial information. We are proud to report that for fiscal year 1998, Interior received its second unqualified audit opinion from the Office of Inspector General on the Department's consolidated financial statements. In addition, seven of the eight audited Interior bureaus received unqualified audit opinions on their respective financial statements. While we are pleased with our progress to date, we are very cognizant of the need to further enhance and improve our operations and program performance. This plan lays the foundation to continue our progress in the future.

If you have any questions or would like additional clarification about the contents of this plan, please do not hesitate to call me on (202) 208-4203.

Sincerely,



John Berry
Assistant Secretary
Policy, Management and Budget and
Chief Financial Officer

Enclosure

table of contents

Chapter 1- Overview	1
Chapter 2- Improving Financial Accountability	12
Chapter 3- Improving Financial Management Systems	17
Chapter 4 - Implementing the GPRA.....	34
Chapter 5 - Ensuring Management Accountability and Control	38
Chapter 6 - Developing Financial Human Resources	43
Chapter 7 - Managing Receivables, Costs, and Collections	49
Chapter 8 - Modernizing Payments and Business Methods	54
Chapter 9 - Providing Financial Data Stewardship	67
Chapter 10 - Improving Administration of Federal Assistance Programs	69
Appendix A - CFO Organization	72
Appendix B - Finance Officers' Partnership	74
Appendix C - Bureau Financial Management Initiatives	77



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.

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.

CHAPTER 3. IMPROVING FINANCIAL MANAGEMENT SYSTEMS

GOAL: Achieve and maintain a single, integrated financial management system that complies with Federal government policy.

The Department shares the view of the governmentwide CFO Council that a key to improved financial and program management is improved financial management systems. Improving financial management systems will provide for and strengthen our decision-making capabilities and enable Interior program and financial managers to more effectively carry out the Department's missions. The Department's goal is to achieve the objective stated in OMB Circular A-127 for each agency to establish a single, integrated financial management system.

History

Since the mid 1980s, the Department has improved its financial systems and eliminated duplicative and redundant systems. By 1984, the number of personnel/payroll systems used within the Department had been reduced from five to one. The Department's personnel/payroll system was replaced with a fully integrated, modern, on-line system, the Federal Personnel/Payroll System (FPPS), in FY 1999. This system also supports non-Interior clients, including the Social Security Administration.

By FY 1992, the number of existing bureau core financial systems had been reduced from ten to two, with off-the-shelf software, Federal Financial System (FFS), being used in six bureaus which account for over 95 percent of the Department's annual accounting transaction volume. The remaining three smaller bureaus use ABACIS, an in-house developed core accounting system. However, one of these bureaus, the Office of the Secretary, is currently converting to FFS.

Overall, the Department's financial management systems represent a combination of governmentwide systems, departmental systems, and bureau managed systems. Increasingly, the Department is becoming reliant on technology as the enabling agent for meeting management's need for more timely and comprehensive financial management information for streamlining underlying financial and administrative processes, and improving the efficiency of transaction processing.

Financial Management Systems Improvement Strategy

The Department's goal is to continue to improve financial transaction processing and to enhance the financial management systems support for the partnership between program and financial managers. The Department views the movement

toward a single, integrated financial system as encompassing three interrelated elements: (1) migrating to and enhancing standard departmentwide systems; (2) improving or replacing financial and mixed systems to take advantage of new technological capabilities (e.g., Internet browser and smart card technology); and (3) effectively interfacing or integrating financial management systems through electronic transfer of data and establishing standardized financial data classifications for movement of data to support finance and program managers.

The Department relies on a unified set of financial management systems planned for and managed together, and operated in an integrated fashion to collectively support program and financial managers. These systems are managed at various levels within the Department. Some of these systems are managed on a departmental level, others are maintained at a bureau or local level, and some are governmentwide systems that the Department relies on. Collectively, they represent the Department's financial management systems architecture. The current financial system architecture is shown in *Exhibit 3-1*, arrayed by the different types of management approaches being used. *Exhibit 3-2* lists the Department's financial management systems and applications.

Exhibit 3-1

**Department of the Interior
Financial Management Systems - Current Environment**

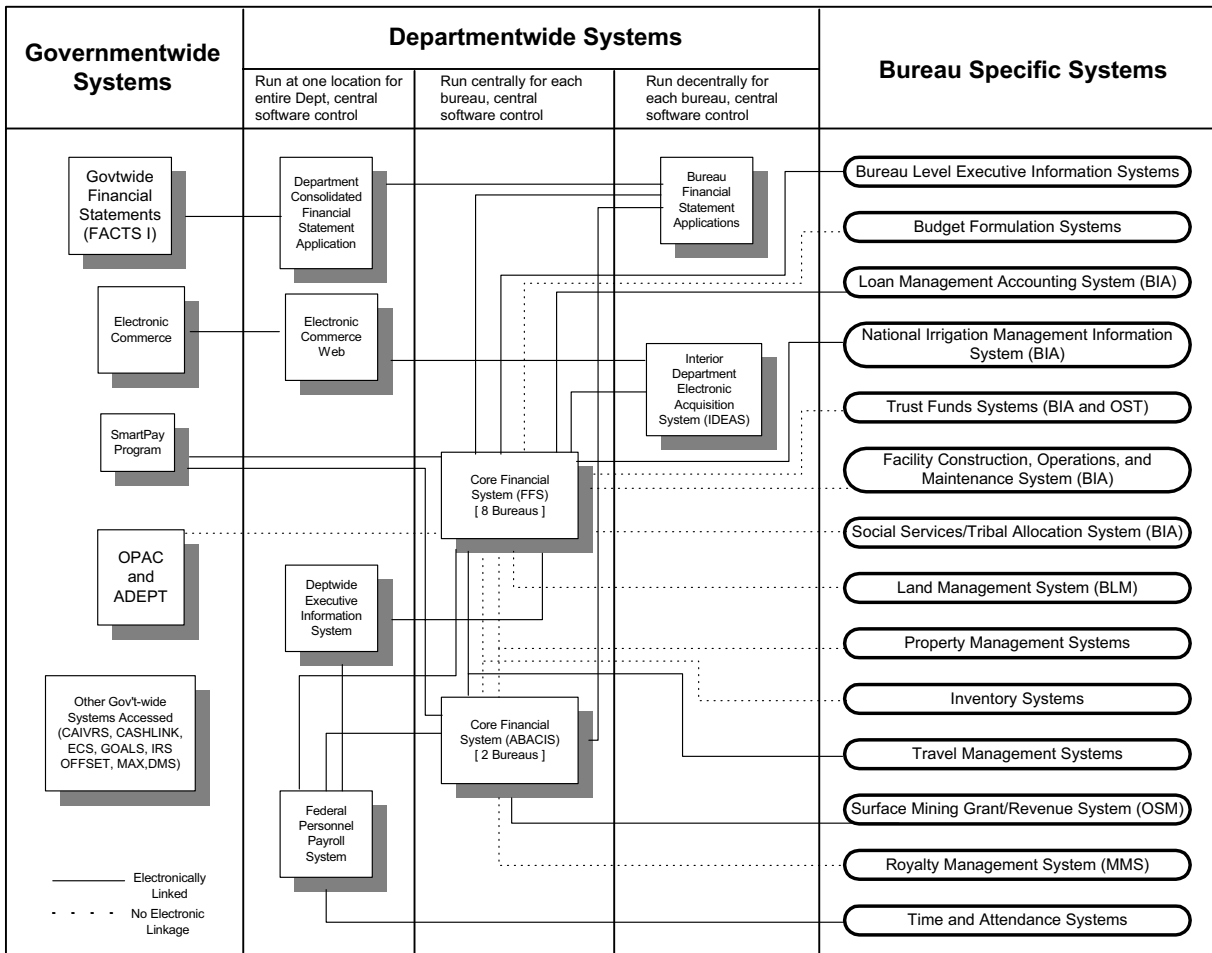


Exhibit 3-2

**Department of the Interior
Financial Management Systems Supporting Exhibit 3-1
System/Applications**

DEPARTMENTWIDE SYSTEMS

Department-wide Executive Information

- Decision Support System/Executive Information System (DSS/EIS)

Payroll Personnel System

- Federal Personnel/Payroll System (FPPS)

Core Financial System (FFS)

- Federal Financial System (8 Bureaus/Offices)

Core Financial System

- Advanced Budget/Accounting Control and Information System (2 Bureaus)

- Accounting and Aircraft System (OAS)

Interior Department Electronic Acquisition System

BUREAU SPECIFIC SYSTEMS

Bureau Level Executive Information Systems

- Program Management System (BLM)
- Administrative Information System (GS)
- Administrative Financial System II (NPS)
- Federal Aid Project Accounting and Ledger System (FWS)
- TABS (GS)
- Financial Reporting and Reconciliation System (NPS)

Budget Formulation Systems

- Program and Budget System (BOR)
- Budget Formulation System (NPS)

Loan Management Accounting System (BIA)

National Irrigation Management Information System (BIA)

Trust Funds (BIA, OS)

- Individual Indian Monies System
- Integrated Resources Management System
- Omni Trust/ES

Facility Construction, Operation, and Maintenance System (BIA)

Social Services/Tribal Allocations System (BIA)

- Tribal Allocation Priority System
- Social Services Automated System

Land Management System (BLM)

- Payment in Lieu of Taxes

Procurement Systems

- Procurement System (OS)
- SATIN (OS)

Property Management Systems

- FFS Fixed Assets Subsystem (BIA, BLM, GS)
- Real Property (BLM)

- Moveable Property System (BOR)

- Property Management System (MMS, OSM)

- Personal Property Management Information System (NPS)

- Property Accounting and Control System (OS)

- Property Management Information System (New System Being Developed by MMS For Use By MMS, OS, and OSM)

- Personal Property Management Information System (FWS)

- Real Property Management Information System (FWS)

Inventory Systems

- FEDSTRIP System (BOR)

- DORRAN (GS)

- Inventory Subsystem (GS)

Travel Management Systems

- Travel Manager Plus

Royalty Management System (MMS)

- Production Accounting and Auditing System
- Auditing and Financial System

Surface Mining Grant/Revenue System (OSM)

- Grant Information Financial Tracking System

- Fee Billing and Collection System

- Audit Fee Billing and Collection System

- Civil Penalty Accounting Control System

The Department's goal is to continue to improve financial transaction processing and to enhance the financial management systems support for the partnership between program and financial managers. The Department's financial management systems improvement strategy involves four major thrusts:

- *Year 2000 Compliance*: Convert all financial management systems to be Year 2000 compliant.
- *Current Systems Enhancements*: Improve selective financial management systems to better support administrative and program managers.
- *Financial Management Systems Migration Project*: Define and implement a new generation of financial management systems to take advantage of new technology opportunities.
- *Replacing Critical Programmatic Management Systems*: Re-engineer and replace certain critical bureau based programmatic/ financial management systems supporting critical programs: Royalty Management System; Indian Trust Funds Systems; and Facilities Management System.

The target architecture for the next five years will be determined by the results of the Financial Management Systems Migration Project. Therefore, an illustration of the target architecture is not included in this financial management plan.

Year 2000 Compliance

All of Interior's financial management systems have been modified, where necessary, to make them Year 2000 compliant. In addition, the major financial systems that were classified as "mission-critical" have also undergone a rigorous Independent Verification and Validation (IV&V) process to ensure that they are, in fact, year 2000 compliant. Moreover, in April 1999, the Department awarded a contract to perform a third party independent verification of systems that covered a wide spectrum of Year 2000 sensitive areas, including certain financial management systems (e.g., FPPS, IDEAS, FFS, etc.). The contractor reviews that have been completed to date indicate that the Department's Year 2000 program is strong and effective, and that the IV&V activities performed on "mission-critical" financial management systems provides "reasonable assurance" that these systems are Year 2000 ready.

Current Systems Enhancements

Over the past five years, the Department's financial management systems strategy was to target systems improvements to adjust to changes brought about by organizational rightsizing, streamlining, and re-engineering efforts. These efforts focused on completing nine major financial management systems improvement efforts: (1) enhancing current core accounting systems; (2) implementing FPPS; (3) implementing a Decision Support System/Executive Information System (DSS/EIS); (4) implementing a departmentwide procurement system (IDEAS); (5) maximizing opportunities for utilizing Electronic Commerce (EC) and other Electronic Data Interchange

(EDI) applications; (7) improving property systems; (8) improving the Indian Trust Funds systems; and (9) Royalty Management Program Re-engineering Initiative.

FY 1999 Accomplishments

During FY 1999, the Department continued financial systems enhancements which included successfully completing systems improvement efforts begun in previous years and expanding the use of outside services to support transaction processing.

Significant FY 1999 accomplishments include the following:

- *SmartPay Program:* Beginning in FY 1999, the Department aggressively implemented its "SmartPay" integrated charge card program in all bureaus to: outsource transaction processing to BankAmerica; provide web-based access for transaction information to more than 40,000 cardholders; automate the reconciliation process for centrally-billed accounts; and develop an automated interface for credit card transactions to the Department's accounting systems in an attempt to create the next generation of management controls by using electronic reporting to provide a higher level of oversight over individual transactions than has heretofore been possible.
- *Implement a Departmentwide Procurement System:* In FY 1999, the Department completed the implementation of IDEAS, a standard, automated procurement system. This system automates the acquisition process in requisitioning, contracting, purchasing, and contract administration. This effort was begun in January 1997 when the Department of the Interior chose for its Interior Department Electronic Acquisition System (IDEAS) procurement automation software the Windows-based, commercial-off-the-shelf package Procurement Desktop (PD) from American Management Systems, Inc. (AMS). The new IDEAS-PD software has been tested, including Year 2000 compliance, and implemented in all major buying offices of the Department, as well as in buying offices of our National Business Center's franchise client agencies, including the National Science Foundation, the U.S. Secret Service, the Maritime Administration, and the Federal Trade Commission. A web-based electronic commerce capability and an interface to financial systems have been developed and are being implemented along with IDEAS.
- *Current Core Accounting Systems:* In FY 1998, Interior bureaus developed and implemented software changes to FFS that made this system Year 2000 compliant. As an integral part of this effort, Interior also developed and implemented an automated FFS table clearing process to archive prior year "closed" records/tables to reduce the size of the operating files, thus streamlining nightly operations and saving online storage space. The Department continues to maintain the existing core accounting systems until a replacement core accounting system is identified, acquired, and implemented. A new release of the FFS core accounting system software was implemented in June 1999.
- *Improving Property Systems:* The Department continues to coordinate with the bureaus to reduce the number of separate bureau automated personal property systems. The Department's property system strategy is aimed at standardizing

and streamlining the automation of the personal and real property management functions departmentwide. This effort is intended to increase productivity and to avoid the costly development or modification of duplicative, independent systems, and interfaces with other administrative systems. Material weaknesses have existed in several bureaus' property management programs. The Property Management Partnership is continuing to address needed enhancements in property systems with the objective to migrate as quickly as possible to systems that incorporate new technologies which will eliminate duplicate data entry and allow for easy and timely access to data. A personal property module, with an electronic linkage to the Federal Financial System (FFS), has been developed and implemented in four bureaus: the U.S. Geological Survey (USGS), the Bureau of Land Management (BLM), the Bureau of Indian Affairs (BIA), and the National Park Service (NPS). Progress in real property systems is underway with BLM and BIA modifying the FFS personal property module to also track real property.

- *New Federal Personnel/Payroll System:* Prior to FY 1997, the Department operated and maintained a payroll/personnel system, called PAY/PERS, for all of Interior, as well as seven other government agencies. An on-going development effort to replace PAY/PERS with a new system called FPPS, (Federal Personnel/Payroll System), was completed by the end of calendar year 1998. FPPS is a fully integrated personnel and payroll system that provides real-time updating of data in a database environment. It provides a full range of functional capabilities and allows supervisors and managers to access the system directly for both processing of actions and retrieval of information. It provides for electronic initiation and certification of personnel and payroll actions and electronic access to data, thus virtually eliminating the handling and mailing of hard copy forms. It utilizes state-of-the-art technology, has extensive security and flexibility, and is designed to be year 2000 compliant. FPPS is considered to be one of the most advanced personnel/payroll systems in the Federal government today.
- *Hyperion Enterprise Consolidated Financial Reporting System:* In FY 1997, the Department began using Hyperion Enterprise software for collecting financial statement information to support the preparation of consolidated financial statements. The Consolidated Financial Statement (CFS) application collects summary financial data by Treasury Fund Symbol by Standard General Ledger codes from the core accounting systems that process financial transactions for each bureau of the Department. The CFS application is the single source of data used in preparing the Department's consolidated financial statements. In FY 1999, the Department enhanced the preparation process to allow each bureau finance office to participate in the data collection process via direct access to the Hyperion Enterprise application. This capability will be used in preparing the FY 1999 financial statements within the Department. Using a single unified application, each bureau now has direct ownership of its portions of the consolidated financial statements, allowing each bureau to prepare its segment of the financial statements and create journal entries. The benefits of this enhancement include the elimination of redundant journal postings, improved timeliness of trial balance data submissions, and a uniform throughput of analysis by the Department's Office of Financial Management and the OIG audit teams. The CFS application is also used to provide data to the Department of the Treasury

for the governmentwide consolidated financial statements through the FACTS I process.

- *Decision Support System/Executive Information System*: Interior's efforts to implement a Decision Support System/Executive Information System (DSS/EIS) is intended to deliver summary level information to executives for decision-making purposes and provide a user friendly graphical interface to interact with individuals who may or may not be highly proficient in using computer technology. Since September 1995, the Department has used Hyperion software tools to address selected applications including departmentwide consolidated financial statements, access to departmentwide consolidated SF-133 from the Office of Management and Budget, and providing summary financial information to senior BIA executives for FY 1998 and FY 1999. In addition, the Department has participated in establishing the Hyperion Users Group and is actively working with the Department of the Treasury, which uses Hyperion software to prepare the governmentwide financial statements, to improve the transmittal of financial data to Treasury.
- *GPRAs Performance Tracking System*: The Government Performance and Results Act (GPRA) requires agencies to submit strategic plans to the Office of Management and Budget and Congress identifying measurable goals that define what will be accomplished during a fiscal year and reflect a level of accomplishment commensurate with the resources required and subsequently funded. The Department is beginning a process to build the needed infrastructure to provide the necessary reporting capacity to meet the GPRA requirement on a departmental basis. The Department established an Access data base which is being used to collect quarterly performance measurement. This approach recognizes the need to be compatible with bureau level systems that are being built or planned to support GPRA requirements. The systems will be used to report on FY 1999 performance measurement data; support data needed for the Annual Accountability Report; and support budget office needs to report on performance against the annual performance plan.

PLANNED ACTIONS

FY 2000 Planned Activities

- *Enhance the Human Resources System*: Use the Booze-Allen and Hamilton study recommendations to determine the future direction of FPPS and continue with scheduled enhancements and new releases to the system.
- Continue to address needed enhancements in property systems through the leadership of the Property Management Partnership (PMP), in conjunction with the Financial Management Systems Migration Project, with the objective to migrate as quickly as possible to systems that incorporate new technologies which will eliminate duplicate data entry and allow for easy and timely access to data. These enhancements include the following:

1. The Property Management Partnership will expand effort to standardize and streamline real property systems by including BOR, FWS, USGS, and NPS, and determine the extent of common requirements and of an interface with the Department's current facilities management initiative. As requirements for real property automation are defined, future funding needs to support system development for the other four bureaus will be determined.

2. The PMP will implement, with BLM serving as the lead bureau and with the assistance of the National Business Center, the Screen Available and Exchange-Sale (SAVES) system which is a standardized, departmentwide web-based system to share and report information on personal property available for reuse within Interior.

- Continue to enhance the consolidated financial statement process through the use of Hyperion Enterprise software as the single source of consolidated financial statement data. The Department will enhance the Hyperion Enterprise application software and data processing environment to more effectively support use of the system by bureau finance offices. The Department will also provide greater system access to individuals outside the bureaus through web-based technology.
- Participate in a pilot program with the Department of the Treasury to implement FACTS II to replace the existing SF 133, *Report on Budget Execution*, and TFS 2108, *Year-End Financial Statement*, with standard general ledger trial balance data. Treasury believes that collection of trial balance data is more amenable for analysis than standard reports. The Department will pilot test collecting and transmitting required data to the Department of the Treasury in support of the FACTS II requirements.
- Deploy the BIA Hyperion financial application for budget managers and analysts. The existing software used for the BIA application will be upgraded to a newer release of software. The conversion will take place later in the fourth quarter of FY 1999 and into the first quarter of FY 2000. Plans also include developing web-based tools to allow access of financial reports.
- Further Interior's efforts to meet GPRA requirements by determining how it will obtain data on a departmentwide basis to meet performance measurement requirements and the means that will be used to verify and validate measured values. This effort will include an assessment of options for developing a data warehouse for collecting departmental GPRA data from bureaus to support GPRA reporting requirements for FY 1999 and subsequent years, using technology currently available in the Department or accessible within the time frames and budget constraints. The intent is to establish a technical architecture to appropriately link bureau level initiatives with departmentwide efforts.
- Continue the enhancement of IDEAS through: (a) assisting bureaus in any additional IDEAS implementations at smaller field units, including financial interfaces and electronic commerce; (b) continuing to work with other Federal agency users of the AMS PD product, including the Department of Defense, the Patent and Trademark Office, the House of Representatives, the Library of Congress, franchise client agencies, and others to coordinate and reduce the costs of

software enhancements; and (c) and continuing to provide (as an OMB authorized franchise effort) procurement system support to other agencies.

Financial Management Systems Migration Project

In February 1998, the Interior Chief Financial Officers (CFO) Council established the Financial Management Systems Migration Steering Committee, which is composed of bureau CFOs/Deputy CFOs and chaired by Interior's Deputy CFO. The purpose of establishing the Steering Committee was to provide for senior level leadership in the planning, acquisition, and implementation of replacements for existing Interior financial management systems. An integrated approach to systems replacement is greatly needed since a number of the Department's financial management systems must be replaced within the next few years. For example, both of the Department's core accounting systems (FFS and ABACIS) are nearing the end of their useful lives. FFS is a mainframe system based on outdated technology that was first implemented in Interior in October 1988. The FFS vendor has already developed and is marketing its new generation of core accounting system software, and will eventually discontinue support of the old version of FFS. Consequently, Interior must replace FFS with a system that complies with a contemporary "open system architecture" environment within the next five or so years. The development of a migration strategy will ensure that any new replacement systems adhere to the Department's information systems architecture and allows for full integration among the Department's financial management systems.

The Steering Committee recommended to the Interior CFO Council that the Department engage in a coordinated cross-functional financial management streamlining effort that encompasses the following business functions: budget formulation and execution; personnel and payroll management; acquisition, receipt, accounting, maintenance, and disposition of property and services; managerial cost accounting; and travel management. This effort would provide the basis for developing comprehensive requirements for an integrated financial management system within an Interior information systems architecture that adheres to the Joint Financial Management Improvement Program's *"Framework for Federal Financial Management Systems."* These recommendations were endorsed by the CFO Council.

This effort involves a Department-sanctioned project to conduct streamlining of each of the key financial management business functions before the acquisition of replacement financial management system modules to support these functions. Thirteen cross-functional teams have been established which are assessing each process and identifying both process improvements and outlining the data used in each process; the information required by each process; and the system requirements to support the streamlined processes. This migration project will form the basis for a systems architecture that supports financial management functions and executive information into the future.

The initial stage of the effort is to develop the Financial Management Systems Migration Strategy for replacing the current financial management systems. This strategy needs to address re-engineering processes, where necessary, and building a business case for making investments in financial management systems replacement. The initial stage involves three phases:

Phase I - Functional Analysis Phase: Defining/refining the requirements of the individual systems/modules (by function) that comprise the integrated financial management systems and identify and document interactions/transactions/data exchanges with other financial management systems/modules to identify potential business process improvements.

Phase II - Business Process Review: Reviewing individual and cross-functional processes to identify business process improvements that are automation related that should be incorporated into any new financial management systems architecture. The goal is to identify what the integrated systems environment should be to meet the Steering Committee's goals to be paperless to the extent possible, require only a single user logon for access, allow one-time initial data entry, and provide easy access to common data.

Phase III - Business Case Development: Preparing a business case for acquiring software to meet the requirements of the re-engineered processes defined in Phase II. This business case will need to meet the requirements of the Information Technology Management Reform Act (Clinger-Cohen Act), satisfy "Rainey Rules" for justifying major information technology investments, and receive departmental approval from the Information Technology Steering Committee (ITSC). Following the streamlining efforts, the migration effort would replace existing system modules within the defined architecture on a schedule determined by Interior's CFO.

FY 1999 Accomplishments

- Developed a FY 1999 Steering Committee Work Plan.
- Established 13 cross-functional teams to accomplish Phases I, II, and III as described previously. These 13 teams are:
 - Budget
 - Finance
 - Travel
 - Revenue
 - Personal Property/Fleet Management
 - Real Property
 - Charge Card
 - Acquisition
 - Financial Assistance
 - Payroll/Personnel
 - Facilities Management
 - Reports
 - Information Resources Management
- Completed Phases I and II as defined previously.

PLANNED ACTIONS

FY 2000 and Beyond Planned Activities

- Complete Phase III as defined previously.
- Develop a long term strategic plan for the migration to an integrated financial management system for the Department. This effort would establish the proper strategy for upgrading/replacing the existing financial management systems within the Department and provide the justification for the system migration efforts under "Rainey Rules" and the Information Technology Management Reform Act (ITMRA). This effort would be led by the Steering Committee.
- Carry out the migration strategy established to replace existing financial management systems within an integrated information technology architecture.

Replacing Critical Programmatic Management Systems

The Department has projects underway to replace or enhance certain critical programmatic management systems that process financial data. These projects include the following:

Royalty Management Program Re-engineering Initiative

The Royalty Management Program (RMP) is responsible for ensuring that all mineral revenues from Federal and Indian Lands are efficiently, effectively, and accurately collected, accounted for, verified, and disbursed to appropriate recipients in a timely manner. These revenues amount to more than \$4.5 billion annually. RMP is faced with a number of challenges that has forced it to reexamine its core business processes. One of these challenges is the Federal Oil and Gas Simplification and Fairness Act of 1996 which significantly changed many of the RMP's historical operating assumptions, as well as some fundamental Federal oil and gas mineral revenue financial activities. Another compelling reason for a re-engineering effort is the need to improve the RMP's performance by reducing its business cycle to match other comparable organizations in the public and private sectors. Key to the RMP's re-engineering initiative is the modernization of its information technology infrastructure, by deploying a variety of new technologies and replacing many applications whose roots can be traced to the early 1980s.

The re-engineering initiative addresses all core RMP business processes including financial, accounting, compliance, and supporting computer systems. The re-engineering team is expected to eventually produce new business processes and support systems that are highly integrated, process centered, focused on outcomes, less costly, and well positioned to meet current and future mission requirements.

FY 1999 Accomplishments

- Select a contractor for a database design, underlying IT environment, and implementation of the financial and royalty management systems. The contract-

ing strategy used to address the Royalty Management Program re-engineering initiative features a two-phased contract award process. To ensure full competition, contractors were invited to submit capability statements in response to broadly stated re-engineering requirements. RMP then selected a small number of contractors from this group (two to three) to participate in another competitive round. These contractors were invited to spend two to three months with the re-engineering team and RMP operational staff. During this period, they gained a clear understanding of re-engineering requirements. Proposals were obtained for the financial module with a contract to be awarded to the firm's proposal that best met RMP objectives in terms of use of technology, functional capability, and cost. A Request for Proposal for the financial accounting system was issued on April 9, 1999. Vendor responses were received in June 1999 and a contract will be awarded in September 1999.

PLANNED ACTIONS

FY 2000 Planned Activities

- Design the database and establish the underlying infrastructure to be used to integrate compliance, asset, financial, and royalty management systems.
- Document compliance functional requirements and system performance expectations in sufficient detail to solicit capability statements and proposals from vendors.
- Prepare and issue a Statement of Work and Request for Proposals.
- Award a contract to implement re-engineered compliance processes.

FY 2001 and Beyond Planned Activities

- Implementation of the financial module (September 2001).
- Implementation of the compliance module (September 2001).
- Transition of the RMP organization and staff to the new business processes and automated systems.

Improving the American Trust Funds Systems

The American Indian Trust Fund Management Reform Act of 1994 affirmed the Secretary's trust responsibilities and established the Office of Special Trustee for American Indians (OST). The Act identified actions required for the Secretary's proper discharge of trust responsibilities, including: providing adequate systems for accounting for and reporting trust fund balances; providing adequate controls over receipts and disbursements; providing periodic, timely account reconciliations; determining accurate cash balances; and preparing periodic statements of account performance and balances. The Act also addressed the need for developing systems for accounting and investing funds, for reporting to account holders, and maintaining accurate data on ownership and lease of Indian lands.

The OST, headed by the Special Trustee (currently vacant), oversees and coordinates trust fund management reforms for the Department. The Special Trustee reports directly to the Secretary. In 1996, a Secretarial Order expanded the Special Trustee's responsibilities by transferring to OST the Office of Trust Fund Management (OTFM) and other financial trust services functions of BIA.

Reviews by the General Accounting Office, the Department's Inspector General, and independent accounting firms have identified serious financial management problems in the BIA's management of Indian Trust Funds. Reports based on these reviews indicated, among other things, that current trust fund data is unreliable, inaccurate, and inconsistent, and current trust systems are inadequate to comprehensively process trust data and incapable of supporting investment activities. Additionally, inadequate internal controls and lack of consistent, written policies and procedures were also cited in the reports.

To bring about long-term constructive improvement in trust funds management, the Department issued a draft report, *"Indian Trust Funds and Trust Asset Management Reform Plan"* in June 1994. Several initiatives have stemmed from the report, known as the Secretary's "Six Point Plan." The Office of Trust Fund Management implemented an interim service bureau system for managing tribal investments and accounting services. It improved the Office of Trust Fund Management's performance of fiduciary duties regarding tribal trust fund investment, accounting, and reporting. The majority of collection activities are still being performed by BIA. The Six Point Plan also called for correcting problems with Individual Indian Money (IIM) accounts, including correcting IIM data and improving IIM-related systems.

In April 1997, the Special Trustee submitted a proposed comprehensive strategic plan to the Secretary and the Congress. Although the Secretary had reservations about certain aspects of the plan, it was agreed that the trust system improvements and data clean up efforts in the plan would proceed. The plan included initiatives to clean up IIM records; eliminate data backlogs; improve policies, procedures, and controls; enhance training; and improve computer systems. Acquisitions were planned for these systems: (1) Trust Funds Accounting System (TFAS), (2) Trust Asset and Accounting Management System (TAAMS), and (3) Land Records Information System (LRIS) enhancements.

These initiatives were also included in the July 1998 High Level Implementation Plan (HLIP) of the Trust Management Improvement Project (TMIP). It addressed 13 subprojects, responsible bureaus and offices, supporting tasks, critical milestones, work plans, resource estimates, and accountable officials. Related subprojects have been combined, and the TMIP now consists of 11 subprojects:

- OST Trust Financial Records Clean Up
- BIA Trust Records Clean Up
- Probate Backlog
- BIA Appraisal System
- Trust Funds Accounting System
- Trust Asset and Accounting Management System

- Minerals Management Service Royalty Management Program Re-engineering Initiative
- Records Management
- Policy and Procedures
- Training
- Internal Controls

FY 1999 Accomplishments

- Efforts are well underway in various areas including records cleanup, probate backlog elimination, and activities for improved systems. Pilot efforts are being used to prove concepts, develop alternatives where necessary, identify implementation barriers, develop realistic cost estimates, and gain firsthand experience for broader full scale implementation.
- The TFAS was acquired and implemented at several sites. It will be used for all tribal accounts and the IIM investment pool.
- The TAAMS contract was awarded and implementation is underway at pilot sites.

PLANNED ACTIONS

FY 2000 Planned Activities

- After successful pilot test, roll out TFAS to remaining OTFM and BIA sites.
- Continue TFAS training.
- Implement TAAMS at remaining BIA Area Offices.
- Continue implementing Indian Probate Reintervention Lab recommendations.
- Establish continuing quality assurance presence and address internal control weaknesses.

FY 2001 and Beyond Planned Activities

- Complete TAAMS implementation at all sites and complete deferred modifications.
- Under the MMS Royalty Management Program re-engineering initiative, complete development and delivery of financial system, relational database management system, and related modules.

Facilities Management System

Interior's public buildings, structures, and other facilities represent a major investment of tax dollars. Ensuring that maintenance and repair of such facilities is funded and implemented efficiently and effectively is an important element in protecting that investment and reducing potential Department and bureau liability. Inadequately funded maintenance due to reduced budgets, diversion of maintenance funds for emergency responses, and competition for resources from other program needs has led to accelerated facility deterioration. Deterioration can affect public health and safety, reduce morale and productivity of employees, compromise bureau missions, reduce revenues, and increase the need for costly major repair or early replacement of constructed assets.

In FY 1997, the Interior Planning, Design, Construction and Maintenance Council (PDCMC) initiated a departmentwide study of maintenance and repair issues with the goal of reducing financial and safety liability to Interior, increasing the effectiveness and awareness of facilities maintenance, controlling the increasing backlog of deferred maintenance, and ultimately, improving the stewardship of Interior's constructed assets. In February 1998, the final report from the study was issued. It is entitled, *"Facilities Maintenance Assessment and Recommendations"*, and offers ten major recommendations to improving the bureaus' and the Department's facilities maintenance programs. Three of these recommendations are directly related to facilities management systems:

1. Ensure Appropriate Use of Maintenance Allocations

- Initiate policies and procedures such that maintenance funds are separately identified, allocated, and tracked to ensure that all maintenance funds are used for facilities maintenance.
- Establish policies and procedures to effectively account for expenditure of facilities maintenance funds.

2. Establish Common Definitions for Key Maintenance Terms

- Interior should establish:
 - a common subset of facilities data elements
 - more standardized definitions of terms
 - procedures for documenting inventory and backlogs
 - procedures for determining estimated replacement costs
 - budget categories for the bureaus to adopt into their facilities program processes.
- The bureaus' real property and facilities data and systems should be consistent to achieve compatibility of data.
- Program and budget information should be linked with the Federal Financial System.

3. Ensure Integrity of Maintenance Deficiency Databases

- Initiate a uniform methodology and core data set for facility condition surveys to assess the maintenance and repair needs of all existing Interior facilities. Validate inventory of existing facilities.
- Develop automated backlog documentation that accurately communicates the facilities' needs and can easily be reviewed and updated by field staff. Include standard need descriptions and associated cost estimating procedures.

The Department is currently implementing these recommendations.

FY 1999 Accomplishments

- As a result of the recommendations presented in the *“Facilities Maintenance Assessment and Recommendations”* report and the Administration's concerns regarding the deteriorating condition of the Federal government infrastructure, the Department requested funding for the Safe Visits to Public Lands initiative in the FY 1999 budget. This initiative recognizes that funding is urgently required to ensure safe visits for the visitors to the national parks, refuges, fish hatcheries, and public lands. It is also needed to ensure that DOI employees have safe working environments and that students attending BIA schools have safe educational environments. This initiative relies heavily on the availability of accurate and complete facilities needs data and a comprehensive facilities management system to effectively utilize that data in identifying those facilities that are at most risk.
- In December 1998, Interior's Chief Financial Officer determined that a departmental material weakness existed in the area of maintenance management systems in four of the six facility managing bureaus. The Department's CFO directed that a Maintenance Management System Selection Team (MMSST) be established. The MMSST findings were (1) that commercial off-the-shelf (COTS) facilities maintenance management software is widely available on the open market and extensively used in the private sector, (2) that the use of COTS software had attractive advantages (i.e., cost effective, state-of-the-art, tested and proven, used throughout the industry, eliminate the high initial development and long-term upgrade costs of in-house developed systems), (3) that the most commonly cited negatives attributed to COTS software are the need for customization of the software to meet unique user needs and cost of the software, and (4) that a common core COTS software system, MAXIMO, is used by BOR and BIA and has been selected for use by NPS and USGS. The BOR, BIA, and NPS have the largest facilities programs in the Department. The Department is still in discussions with BLM and FWS, which have smaller facilities programs.

PLANNED ACTIONS

FY 2000 Planned Activities

- In order to meet the needs of Safe Visits to Public Land initiative, in the FY 2000 budget request the Department will implement the first year of the *"Five-Year Facilities Maintenance and Capital Improvement Plan"* to address critical health and safety needs and critical resource protection needs across the bureaus. The long-term improvement of facilities management is dependent upon the ability to collect current and accurate facilities data, utilize standard data base definitions for those data elements that are required at the Department level, implement a formal program of facilities condition assessments, and have systems to effectively and efficiently process facilities data.
- Establish a Facilities Management System Partnership to function under the PDCMC. This partnership would:
 - Coordinate FMS implementations within DOI.
 - Provide a forum for exchanging information and experience on FMS.
 - Develop standardized facilities management data definitions and data bases.
 - Coordinate FMS developments with the Financial Management Systems Migration Project.
 - Ensure compatibility among FMS.
 - Develop improved methods for meeting regulatory and other requirements (e.g., FASAB No. 6).
 - Recommend future common software enhancements and acquisitions.

FY 2001 and Beyond Planned Activities

- Continue implementation and improvement of the Five-Year Facilities Maintenance and Capital Improvement Plan.
- Improve accuracy of the deferred maintenance backlog through cyclic facilities condition assessments.
- Complete development and deployment of standardized facilities management systems throughout the bureaus.

CHAPTER 4. IMPLEMENTING THE GPRA

GOAL: Implement the Government Performance and Results Act as a driving force toward establishing a results orientation within the Federal government.

The Department of the Interior has made significant progress over the last year in implementing the Government Performance and Results Act (GPRA). GPRA is a driving force toward establishing a results orientation within the Federal government. The Congress, the Administration, and taxpayers want greater accountability in the management and operation of Federal programs. Implementation of the GPRA is a key step towards achieving this goal.

GPRA requires agencies to develop strategic plans that elaborate the mission, outcomes and results that agency programs are dedicated to achieving. Further, the Act requires that agencies set performance goals that will reflect progress toward outcomes, measure performance against goals, and report annually on accomplishments. The Department fully supports the principles embodied in the GPRA.

The Department is committed to building the performance measurement infrastructure needed to accurately track performance. Interior recognizes that much needs to be done before the Department will have an fully effective performance management system in place. Interior is focusing efforts on the following areas:

- Improving the collection, verification, and validation of performance data.
- Strengthening and reducing the number of goals and measures in its GPRA plans, and presenting its GPRA documents in clear, concise formats.
- Improving coordination and alignment between its planning, financial, and budget processes.

The Department is also working with other agencies to address some of the more complex cross-cutting issues associated with GPRA implementation. For example, the Department's bureaus continue to play an active role in the governmentwide Natural Resources Performance Measures Forum. The Forum, which is sponsored by the Bureau of Land Management, was established in 1995 to discuss strategic goals and coordinate agency planning activities. The Forum is comprised of almost all the Federal natural resource agencies and has worked to coordinate planning activities of the different agencies in managing natural resources. The Forum is currently working on a pilot project to develop a coordinated approach to water quality as a test case for coordination of agency strategic planning. Interior is also an active member of the National Academy of Public Administration's GPRA Consortium working cooperatively with other agencies on common performance management issues.

Interior coordinates much of its GPRA planning activities through the Performance Management Council, which consists of the senior planning officials from the bureaus, as well as representatives from the Department's planning, budget, finance, human resources, and information management offices. This team approach has enabled Interior to build a broad-based departmental infrastructure to implement performance management.

FY 1999 Accomplishments

- *FY 1999 Annual Performance Plan:* 1999 is the first year where the Department is operating under a GPRA annual performance plan. The plan was submitted to Congress along with the proposed 1999 budget in February 1998. Several bureaus revised their performance targets after enactment of the FY 1999 budget. The Department has used the performance goals established for 1999 to help guide management and build accountability for results. For example, the Office of the Secretary has held performance review meetings with each of the Department's bureaus to review progress toward meeting performance goals and discuss areas of concern. The Interior Management Council also reviews GPRA status reports on a monthly basis.
- *FY 2000 Annual Plan:* The FY 2000 annual plan was submitted to Congress in February 1999. This document featured several improvements over the 1999 plan. The 2000 plan tracked performance to budgets through "GPRA Program Activities," which provide a crosswalk between the budget structure and performance goals. GAO's review of the 2000 plan noted improvements in the consistency and format of the plans. However, GAO's review also identified data reliability and limitations as key concerns with Interior's GPRA plans. The Department recognizes the need to better ensure the accuracy and reliability of its performance measurement process and will continue to address this issue through improving its performance measurement and data reporting systems.
- *Data Reporting System:* The Department has taken a number of steps to ensure that accurate and reliable performance data will be available for management and reporting results. The Department completed two pilot tests of methods for collecting and reporting data in FY 1998. Based on the results of these pilot tests, the Department instituted a quarterly data reporting system in FY 1999. The system uses Microsoft Access software as the vehicle for submitting data. A reporting form has been created to enter data for each measure in an agency's Annual Performance Plan. To facilitate the use of the system, Interior's National Business Center is developing a web-based data entry format with appropriate security protocols. It is expected that the new web-based data entry system will be operational by Fall 1999.

Using the system to track performance on a quarterly basis will help ensure that data is available when needed for developing the Annual Performance Report, and will encourage the use of performance measurement as a viable management tool. The Department has also initiated an annual Department/Bureau meeting to review performance data around the midpoint of the fiscal year. The meeting is an opportunity to discuss progress and problems and to avert or resolve issues while it is still possible to make course corrections.

- *Strategic Plan Updates:* In response to OMB, GAO, and congressional reviews of Interior's strategic plan, the Department made a number of improvements in FY 1999. For example, the Department's ten "commitments" in the strategic plan were consolidated into five broad Departmental goals. In addition, the strategic plans for the Fish and Wildlife Service (FWS) the Bureau of Reclamation (BOR), the Office of Surface Mining (OSM), and the U.S. Geological Survey (USGS), were updated to reduce the number of goals. Our Performance Management Council developed a common format for all bureaus to use as the plans are revised. This includes common nomenclature for goals and a common format for presentation of required GPRA information. This will address the concerns raised by OMB and Congress about the lack of consistency across bureaus in the first round of plans.

PLANNED ACTIONS

Ongoing Activities

- Include selected high level performance indicators in the Department's Accountability Report and bureau annual reports.
- Evaluate data and reporting requirements, and improve the Department's capacity to collect, report, and verify consolidated performance measurement data.
- Continue to build accountability for results by linking managerial performance to GPRA-related performance goals.
- Continue to reinforce GPRA implementation at the field level.

FY 2000 Planned Activities

- *Strategic Plan Revisions:* GPRA requires a formal revision agency strategic plans at least once every three years. The Department and its bureaus are developing revised strategic plans which will be completed by March 2000. The revised plans will cover the years 2000-2005. The revised plans should continue to build on the progress the Department has made in 1999. The plans will feature a smaller number of goals, presented in a concise, common format across the Department. The number of management and means-type goals included in the plan will be reduced. The departmental overview section of the plan will be upgraded to serve as a "stand-alone document" which will provide a better summary of Interior's programmatic responsibilities.

- *FY 2001 Annual Performance Plan/FY 1999 Annual Performance Report*: The Department's first annual performance report, which covers FY 1999, is due to Congress in March 2000. The Department plans to combine the FY 1999 annual performance report with the FY 2001 annual performance plan, which will be submitted to Congress along with the budget in February 2000. By combining these documents, the Department will provide a single reference for performance information, showing past performance and future estimates of performance in a single document. Combining the documents also saves preparation of a separate annual performance report document. The trend information in the consolidated document will provide a longer term view of Interior's performance over time. The document will also include any revisions to the FY 2000 performance goals resulting from final enactment of the FY 2000 budget. Departmental guidance on the combined document has been developed by the Performance Management Council and provided to Interior's bureaus and offices.

CHAPTER 5. ENSURING MANAGEMENT ACCOUNTABILITY AND CONTROL

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

The Department 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 our 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 decision-making at all levels.

Further, the Department firmly believes that the timely implementation of Office of Inspector General (OIG) and General Accounting Office (GAO) audit recommendations is 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 to ensure that a sound system of management controls exists in all programs, organizations and functions that meets the requirements and intent of OMB Circular A-123, and to implement an approach to assessing management controls that integrates other management improvement initiatives.

FY 1999 Accomplishments

- *Provided Reasonable Assurance Objectives Were Met:* Based on the results of its midyear progress review, the Department expects to again provide reasonable assurance to the President and the Congress that 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 1999, the Department completed corrective action on two of its 16 pending material weaknesses. Over the years, the Department has identified and reported 163 material weaknesses and 64 accounting system non-conformances. By the end of FY 1999, the Department will have corrected 149 of the total reported material weaknesses (91 percent) and all 64 accounting system non-conformances (100 percent). Much of the progress in correcting material weaknesses was achieved over the last several years. The 14 pending material weaknesses at the end of FY 1999, including those identified as mission critical weaknesses, are listed in *Exhibit 5-1* below.

Exhibit 5-1

Pending Material Weaknesses Carried Forward to FY 2000		
Title of Material Weakness/Non-conformance	Bureau	Correction
Inadequate Management of Trust Funds *	OST	FY2003
Deficiencies in Real Property Management	BIA	FY2003
Inadequate Debt Collection	BIA	FY2002
Inadequate Acquisition Management Program	BIA	FY2001
Irrigation Operations and Management	BIA	FY2002
Inadequate Records Management *	BIA	FY2000
Inadequate Range Monitoring *	BLM	FY2000
Administration and Oversight of the Wild Horse and Burro Herd Management Program	BLM	FY2000
Management and Oversight of the Land Exchange Program	BLM	FY2000
Irrigation of Ineligible Land *	BOR	FY2002
Lack of Accountability and Control Over Artwork and Artifacts * (BIA, FWS, NPS, BLM, OSM, MMS, BOR, and USGS)	DEPT	FY2000
Incomplete/Inaccurate Data in the Procurement Data System	BIA	FY2000
BIA Facilities Program	BIA	FY2000
Inadequate Departmentwide Maintenance Management Capability *	DEPT	TBD

* = Mission Critical Weakness

- *Received Vice President Gore's Hammer Award for the Management Control Automated Assessment Approach Pilot:* The highlight of the Department's FY 1999 Management Control Program occurred in March 1999 when Vice President Gore's prestigious Hammer Award was presented to the Re-engineering Lab Team for the development and pilot testing of the automated assessment approach. The automated assessment approach was developed in a Re-engineering Lab in 1997. In 1998, the Department successfully pilot tested the new, fully-automated approach for conducting and reporting the results of management control assessments. The 1998 pilot test program included 13 program assessments with at least one pilot assessment in each bureau and office. 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 1999, the pilot test program was expanded to other program areas and several revisions were incorporated based on 1998 pilot test results. In addition, a new Internet version of the surveying and assessment software was pilot tested. Depending on the final results of the 1999 pilot test, the Department expects to adopt the Internet version as its standard automated assessment format because it eliminates the problems experienced with transferring assessment files across multiple e-mail platforms.

- *Prepared the 1998 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 performance measurement data in accordance with the Government Performance and Results Act. The Department has been recognized for its excellence in preparing the Annual Accountability Report since 1997.

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 1999 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 non-profit 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 reports, and determining the allowability of any expenditure of Federal funds which have been questioned by the auditor. During 1999, the Department was successful in closing approximately 84 percent (319 of 382) 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 1999, approximately 81 percent of these audits were closed and \$3.76 million of \$6.7 million (56 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 1999. Approximately 33 percent of the FBU audits pending during the year were closed. These audits closed involved \$3.2 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 1999. As a result of this aggressive monitoring activity, the total number of audits in this category declined by approximately 47 percent for the year. Those audits still pending involve recommendations with long-term and multi-faceted 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 followup program workload. During FY 1999, 40 final audit reports were issued. These audits contained 18 recommendations of which 83 percent were implemented by the end of the year. The remaining recommendations involve actions that appear to be cost prohibitive.

PLANNED ACTIONS

Ongoing Activities

- Continue to improve the rate of implementing audit recommendations, collecting disallowed costs, and closing audits.
- Continue to prepare and issue the Annual Accountability Report by the statutorily required due date.

FY 2000 Planned Activities

- Complete corrective actions on 4 of the 14 pending material weaknesses carried over from FY 1999.
- Assist bureaus in implementing the Internet version of the new automated approach for conducting management control assessments.

FY 2001 and Beyond Planned Activities

- Develop and implement a new departmental GAO audit follow-up data base and tracking system to more effectively monitor audit progress linked to a new system being developed by the Department's Office of Inspector General.
- Complete corrective action on the 10 remaining material weaknesses expected at the end of FY 2000, and ensure that other material weaknesses are promptly identified, reported to senior management, and corrected.
- Conduct a feasibility study to provide technical guidance and support through the National Business Center to other Federal agencies in conducting automated management control assessment over the Internet.
- Working with the OIG and the Department's Chief Information Officer, develop a more effective and efficient approach for assessing whether adequate computer security is being provided on computer systems, including in particular, financial management systems and financial data.

CHAPTER 6 . DEVELOPING FINANCIAL HUMAN RESOURCES

GOAL: Build and maintain a highly qualified financial management workforce in the Department to support program managers' financial management needs.

In view of the changing demands on financial management personnel as a result of the CFO Act, GPRA, GMRA, and organizational right sizing, it is imperative that personnel responsible for the administration of the Department's financial resources continuously upgrade their skills so that they can meet the challenges imposed by internal and external forces.

To assist the Department financial management personnel in achieving the skills needed to operate in a changing environment, the Department is committed to developing and maintaining a cadre of highly skilled financial management personnel. To that end, and to ensure a strong and effective financial management program, the Interior CFO Council provides guidance to the Office of Financial Management in developing an overall training and development plan for the Department.

To facilitate the development and implementation of a training and development plan, the Department has designated a Training Coordinator within the Department of the Interior University (DOIU) to work with the Office of Financial Management to implement the plan. The DOIU delivers services through:

- *DOIU Learning Centers* located in Washington, D.C.; Anchorage, Alaska; Denver, Colorado; and Albuquerque, New Mexico.
- *DOIU Online Learning Center*, provides new delivery methods (e.g., distance learning, Internet training) to enable the Department to reach more employees — anytime, any place and at any pace.
- *DOIU Leadership Institute* manages the Department's formal career development programs — the Team Leadership Program (TLP), the Senior Executive Service Career Development Program (SESCDP), and the Acquisition Intern Programs (AIP). The Institute manages the AIP on a governmentwide and departmentwide basis.

The Training Coordinator directs the Department's Financial Management Training and Development Program (FMTDP), schedules financial management training, locates and reserves training sites, identifies instructors and on-the-job training experiences, tracks and records participants' training, reviews and maintains participant's Individual Development Plans (IDPs), prepares and distributes training certificates, and monitors and responds to program evaluation and feedback. The

Training Coordinator also serves as the Department's liaison to the government-wide CFO Council for Human Resources, the Joint Financial Management Improvement Program (JFMIP), the Association of Government Accountants, the Training Officers Conference, the American Association for Training and Development, and professional organizations related to financial management.

The focus of the FMTDP Training Coordinator is to improve personnel who support financial management throughout the Department. Improvement will be made in two areas:

- *Sponsoring Diverse Training Programs in Financial Management* that deliver effective training to financial managers and their staff throughout the Department to improve the skills and knowledge to enable financial management personnel to perform their jobs in an excellent manner.
- *Increasing the Number of Availability of Qualified Accounting, Financial Systems, and Other Financial Personnel* to ensure adequate human resources are available to carry out financial management responsibilities.

Sponsoring Diverse Training Programs in Financial Management

The primary objective of the Financial Management Training and Development Program is to provide proper training and professional development opportunities to financial management personnel so that they are prepared to carry out their responsibilities. The Department's training program provides information on external training courses, provides cost effective training to Interior bureau personnel through the use of internal instructors or external instructors, and develops special training programs to address individual bureau needs.

The Department will expand the training and development program over the next five years by aggressively publicizing program opportunities and encouraging employees to avail themselves of program opportunities. The Department, through the program, will also continue to prepare financial management employees for current and future challenges in financial management. To assist in that effort, the Department will offer an array of training in accounting, governmental accounting, budgeting, financial analysis, project management, team building, and problem solving techniques.

FY 1999 Accomplishments

- *Financial Management Conference*: The Finance Officers' Partnership sponsored the Department's 1999 Financial Management Conference. Approximately 250 Department personnel attended the April 1999 Conference to focus on ways to work together to improve performance and accountability within the Department. Conference attendees overwhelmingly rated the conference as very good or excellent.

- *Web Site for Course Offerings:* The Office of Financial Management home page (<http://www.doi.gov/pfm/training.html>) was used to disseminate course offerings to the Department and other agencies.
- Conducted a departmentwide survey on training needs for FY 1999.
- *Participated in the Development of JFMIP Documents:* Assisted the JFMIP in the development and issuance of the governmentwide CFO Human Resources Committee core competencies for budget analysts, accountants, and financial managers to the Department's financial management community for inclusion in their selection process for these positions.
- Conducted training courses in the following subject areas:
 - Accounting I
 - Accounting II
 - Cost Accounting
 - Introduction Federal Financial Accounting
 - FASAB Update
 - FASAB No. 4, "Managerial Cost Accounting and GPRA Measurement"
 - Team Building
 - Appropriated Fund Law
 - Standard General Ledger
 - FACTS II
 - Leadership
 - Change Leadership
 - Statement of Financing and Statement of Budgetary Resources
- Trained 964 staff members at DOIU's Washington, Denver, and Albuquerque Learning Centers.
- Provided training to National Business Center customers in the following areas:
 - Fixed Assets
 - Use of FFS
 - IDEAS
 - Hyperion
 - Remote Data Entry

PLANNED ACTIONS

Ongoing Activities

- Continually analyze training results and make appropriate curriculum revisions.
- Analyze and report periodically on the results of the financial management training and development program to Bureau CFOs, DCFOs, and Finance Officers.

FY 2000 Planned Activities

- Work with the National Business Center, bureau finance officers, and bureau budget officers to develop a cross training program related to FFS as funding and other resources become available.
- Make contact with Gateway, a government consortium, to explore the possibilities of bringing distance learning to Interior financial management personnel.
- Based on survey results, at a minimum, conduct and or sponsor training in the following subject areas:
 - Cost Accounting
 - Appropriated Fund Law
 - FASAB Standards
 - Leadership

FY 2001 and Beyond Planned Activities

- Develop financial management training for non-financial managers (FY 2001).
- Develop a core curricula for entry level technical and clerical personnel within financial management (FY 2001).
- Develop an activity specific curriculum and training plan that meets the needs of the Department and its bureaus (FY 2002).
- Develop a formal process using the Individual Development Plans (IDP) to ensure that financial management personnel receive cross training. Use the certification component of the Financial Management Training and Development Program to ensure that department bureau finance and budget officers cross train and cross utilize financial management managers and staff (FY 2003).
- Partner with the CFO Human Resources Committee to recruit top quality entry level personnel for the Department's financial management community. Completion date is dependent on the Human Resources Committee implementing the recruiting program.
- Work with nonprofit student placement agencies, the Department's Human Resource Division, and budget offices to recruit junior persons to internship positions in financial management (FY 2003).
- Work with OPM and the Department's Office of Personnel Policy to establish the CFO Council's core competencies for financial management as the criteria for job selection, promotion, and training (FY 2003).
- Encourage and support participation in the Department's Team Leadership Program (TLP) and Senior Executive Leadership Program (SESCDP).

Increase the Availability of Qualified Accounting, Financial Systems, and Other Financial Personnel

The second focus of the Human Resource Program is to support the need for additional qualified accounting, financial systems, and other financial personnel to fill critical vacancies expected over the next few years with retirements. This support will include establishing a Financial Management Intern Program to recruit and train junior individuals for professional careers in accounting and financial management in the Department and bureaus. This is a new program for the Department and will take advantage of the knowledge of the DOIU in developing and managing such programs.

PLANNED ACTIONS

FY 2000 Planned Activities

- Explore with the Department's financial management community ways to increase the knowledge and skills of the current workforce or retrain the current workforce where trends show specific jobs will disappear or be transformed.
- Design the intern program including: duration of the program, target population for selection, rotational assignments, number of hours of technical and non-technical training, mentors, and full performance level of graduates.
- Determine budget for program including: staffing, salary and expenses of interns.
- Determine number of interns the bureaus are interested in supporting through the intern program.
- Develop curriculum for training the interns.
- Develop brochures for marketing the program.
- Manage the vacancy announcement and selection process.
- Conduct a pilot class of financial management interns by 2000.

FY 2001 and Beyond Planned Activities

- Conduct the first class of financial management interns (May 2001).
- Hold orientation, develop IDPs, assign mentors, begin training and rotational assignments.
- Design and implement a financial management mentoring program at all levels.
- Develop a long-range plan to identify and implement recruiting methods and training programs that will provide well prepared professionals for the Department's future financial management positions.

CHAPTER 7. MANAGING RECEIVABLES, COSTS, AND COLLECTIONS

GOAL: Bill and collect amounts due the Federal government in accordance with applicable laws and regulations and capture costs to meet reporting and management needs of the Department.

The management of receivables, costs, and collections is critical to the Department's ability to account for financial resources that fund Interior's mission and programs. The Department's goal is to bill and collect amounts due the Federal government in accordance with applicable laws and regulations and to capture costs to satisfy reporting and management needs of the Department. Interior continues to make progress in achieving these goals.

Accounts Receivable

The Department continues to make significant progress in its collection and receivable management activities. Over 70 percent of the Department's receivables originate from the enforcement of laws and regulations and audit findings. The remaining 30 percent originates from loans (direct and guaranteed) and the sale of goods and services. Consequently, traditional receivable management procedures and safeguards, such as credit worthiness checks, are often not applicable.

The Department has been working closely with the U.S. Treasury to refer its delinquent receivable over 180 days past due to the Financial Management Service for cross-servicing and/or offset in accordance with the Debt Collection Improvement Act of 1996. All bureaus and offices are currently in the process of referring eligible delinquent receivables to Treasury for collection. A monthly reporting system has been established by the Department to monitor performance.

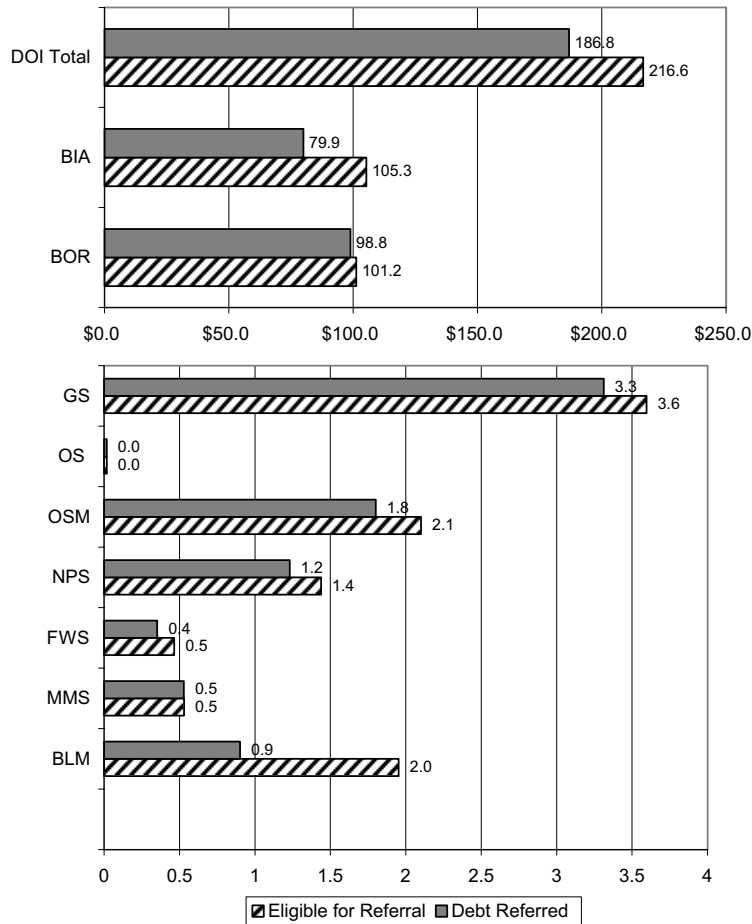
Exhibit 7-1 summarizes Department and bureau-level debt referral performance as of June 30, 1999:

FY 1999 Accomplishments

- Referred 90 percent of the 180 day delinquent debt to the U.S. Treasury for cross-servicing in accordance with the Debt Collection Act of 1996.
- Started a special initiative to confirm and refer appropriate Bureau of Indian Affairs (BIA) irrigation related debts to Treasury for cross-servicing.

Exhibit 7-1

**Interior Debt
Management Report
as of June 30, 1999
(dollars in millions)**



PLANNED ACTIONS

Ongoing Activities

- Work with BIA to refer irrigation related delinquent debts to Treasury.
- Continue to refer at least 90 percent of all eligible delinquent receivables over 180 days old to the Department of the Treasury for collection via cross-servicing and/or offset.

FY 2000 Planned Activities

- Encourage two Interior bureaus to establish a cross-servicing agreement with Treasury's Financial Management Service to refer 60 day and older delinquent debt for collection.

Cost Accounting and Cost Management

The Department performs a significant number of tasks on a reimbursable basis including interagency agreements, agreements with State and local jurisdictions, Franchise Fund, Working Capital Fund, and user charge activities. A department-wide Cost Accounting Work Group was established to begin implementation of SFFAS No. 4 in FY 1998 and make needed refinements thereafter. SFFAS No. 4 coupled with the requirements of the Government Performance and Results Act was a major focus in FY 1999. Further, cost accounting policies were issued related to FY 1999 financial statements. This policy document will be updated as further policy issues arise.

In addition to accounting for costs, managing cost is also important to the Department. One such example is the Department's efforts to control unemployment compensation costs. For a number of years, Interior has used a contractor to: (1) verify employment, (2) process protests and appeals, (3) verify State data, and (4) produce management reports.

The Department is continuing to use and expand the use of a contractor to perform prepayment voucher audit of government bills of lading. This effort has been very cost-effective, returning \$30 for every \$1 spent.

FY 1999 Accomplishments

- Integrated performance information with cost data at the responsibility segment level in the Department's Annual Accountability Report.
- Projected program savings (net of contractor costs) for FY 1999 for controlling unemployment compensation costs will be approximately \$2.2 million.
- Projected program benefit/cost of the prepayment government bill of lading voucher audit program performed by a contractor yield a ratio of \$30 saved to \$1 invested for FY 1999.

PLANNED ACTIONS

Ongoing Activities

- Concentrate efforts on internal cost tracking and reporting of cost information to support program managers' needs.
- Continue the departmental effort to control unemployment compensation costs through the use of a contractor.
- Continue the departmental effort to control government bills of lading costs through the use of a contractor.

FY 2001 and Beyond Activities

- Improve cost accounting practices in areas where fees are charged for services to achieve full cost recovery.
- Review the alignment of budget, cost accounting and GPRA requirements to further improve both planning and reporting of cost and performance data.

User Fee and Cost Recovery Activities

The Department administers a substantial user charge program. Annually, the Department collects fees of almost \$500 million from approximately 100 cost recovery activities, and approximately \$5 billion from other user fee activities including royalties, rents, and bonuses related to minerals, timber, and other uses of Federal lands. Since FY 1993, cost recovery has increased by almost \$150 million. Based on biennial review data, the Department maintains and updates a data base of approximately 150 user charge activities. The data base includes descriptions of the activities, estimated annual collections, pricing structure, legal authority, contact personnel, and other pertinent information.

In FY 1998, the Department conducted its third biennial review of all user charges in accordance with the CFO Act. The National Park Service, the Fish and Wildlife Service, and the Bureau of Land Management were authorized under the Omnibus Consolidated Rescissions and Appropriations Act of 1996 to develop new and expanded fee collection sites as part of a three-year recreation fee demonstration program. The purpose of the demonstration program is to explore the feasibility of collecting additional user fees to offset the costs of administering recreational opportunities on Federal public lands. The new fees will be used primarily to address repair and maintenance backlogs in participating parks and sites. Due to the promising results thus far, the fee demonstration program has been extended to September 30, 2001.

FY 1999 Accomplishments

- Performed a complete review of all fee activities requiring cost recovery.

PLANNED ACTIONS

FY 2000 Planned Activities

- Conduct the CFO Act Biennial Review of all user charge activities based on FY 1999 activity and recommend action to recover relevant costs as appropriate. The Department will continue collaborative efforts both inter- and intra-departmental regarding implementation of the Managerial Cost Accounting Standard, SFFAS No.4.
- Update the Departmental Manual to reflect the latest changes to OMB Circular A-25 and implementation of SFFAS No. 4.

Unclaimed Assets Recovery

During the summer of 1999, an effort was initiated to recover unclaimed assets of the Department. Unclaimed assets are assets that have been transferred to States by the U.S. Postal Service, U.S. Courts, or other entities and have not been identified by their owners. Some of these assets relate to the Federal government. The Department is attempting to recover unclaimed assets related to Interior on behalf of the Federal government.

FY 1999 Accomplishments

- Contacted all States to determine if departmental assets were being held. To date, most States have responded. A second request was sent to those States that did not respond to the initial request. Claims will be filed with those States that identified assets due to the Department.

PLANNED ACTIONS

Ongoing Activities

- Annually follow-up with all States to identify and claim any unclaimed assets due the Department.

FY 2000 Planned Activities

- File claims with States that identified unclaimed assets.

CHAPTER 8. MODERNIZING PAYMENT PROCESSING AND BUSINESS METHODS

GOAL: Modernize payment processing and business practices by leveraging successful government and private sector technology innovations and process re-engineering opportunities.

Rapid technological changes and process re-engineering have contributed greatly to the continuous modernization of payment processing and business methods/practices. Such efforts, while beneficial on their own, have been particularly useful during the downsizing of the Federal workforce. Moreover, it is the Department's goal to provide competitive and cost-effective services to its customers. The Department has established multiple initiatives that seek to eliminate outmoded approaches, maintain only essential elements and services, and use state-of-the-art technology to yield maximum benefits to the American taxpayer.

The essential elements of the program to modernize business methods and payment processes are:

- Streamlining financial and administrative processes.
- Using technology to improve the efficiency of payment processes.
- Re-writing departmental policy and guidance to empower employees and eliminate unnecessary controls.
- Identifying high payoff areas for streamlining processes and upgrading technology.
- Providing assistance to bureaus in developing requirements.
- Measuring performance.
- Working with central agencies to develop long term strategies for process and systems modernization.

Improving Cash Receipts Processing

Due to the Department's substantial revenue-producing activities, efforts have focused on improving collections and processing/depositing of cash receipts rapidly. A key emphasis of the Department's cash management program has been to accelerate cash receipts by requiring payments via wire or electronic transfer. In addition to using electronic transfers, the Department has worked cooperatively with Treasury to establish several lockbox systems and plastic card collection networks to collect timber fees, abandoned mine land fees, water sales, park entrance

fees, construction cost repayments, and State and local government reimbursements.

PLANNED ACTIONS

Ongoing Activities

- Continue to use the Plastic Card Collection Network (PCCN) and Automated Clearinghouse for collecting funds due the Department.

Improving Payment Processes

In performing its basic missions, the Department of the Interior annually processes over two million (non-payroll related) payments, which account for expenditures in excess of \$3.5 billion each year to organizations that provide products and services to the Department. Collectively, these payments cover a broad range of payment categories (i.e., payments to vendors, payments to other Federal agencies, reimbursements, grants, contracts, purchase orders), and involve an equally broad and growing array of available alternative payment mechanisms which include Treasury checks, third party drafts, electronic funds transfers, and charge cards.

In recent years, payment processes have been positively impacted by technological advances. The Department has been an active participant in the governmentwide Electronic Commerce pilot program, and has developed capabilities that will allow the Department to fully capitalize on this promising technology once governmentwide standards are in place.

The Department has embraced the use of plastic card technology as an enabling agent to improve service to customers while improving the overall efficiency of the payments process. The growth in the dollar volume of payments made through the charge card program has averaged in excess of 40 percent annually in recent years, to an annualized level of approximately \$400 million in 1999. The growth trend in the use of charge cards is expected to continue during the next five years. In addition to the obvious reduction in finance office workload associated with the reduction in the number of payments that must be made, the increased use of charge cards has also all but eliminated the need to issue travel advances to employees; reduced the number and amount of payment (interest) penalties associated with the Prompt Payment Act; substantially improved the Department's EFT performance in complying with the Debt Collection Improvement Act of 1996; and has provided additional benefits through volume-based refunds which accrue to the Department.

SmartPay Program: Under the terms of a governmentwide contract administered by the General Services Administration, the Department issued a task order to the Bank of America (BOA) to provide a single integrated card covering the fleet, purchase, and travel business lines. To our knowledge, the Department is unique among Federal agencies in issuing a single card for all business lines. Fiscal 1999 represented the first year of operation under the SmartPay Program, and the

transition to the integrated card presented both the Department and BOA with a number of challenges. The principal challenges faced during 1999 included: processing difficulties associated with the launch of the new charge card platform; the inability to utilize the bank's electronic support system (EAGLS); delays in implementing electronic billing and interface files; and the substantial learning curve in implementing an integrated card program for the first time. Many of these initial challenges have been overcome, and the Department looks forward to implementing additional refinements and several advanced features of the program during FY 2000. Principal among these are: the increased use and reliance on electronic reporting as a management tool for monitoring charge card program performance; expanded use of the cost allocation features within EAGLS; and increased utilization of the online inquiry capabilities.

FY 1999 Accomplishments

- Implemented the SmartPay Program to include daily payment of charge card invoices and an electronic interface to bureau core accounting systems.
- Updated bureau plans to comply with electronic funds transfer (EFT) and taxpayer identification number requirements of the Debt Collection Improvement Act of 1996 (DCIA).
- Continued use of a departmental electronic funds transfer tracking system to measure progress in increasing the number of payments made electronically as required by the DCIA. This information was reported monthly to Interior's Management Council. As of June 30, 1999, 54.5 percent of vendor payments were made via EFT. This is an increase from the 34.8 percent reported in September 1998.
- Transitioned to the new integrated SmartPay contract with Bank of America.

PLANNED ACTIONS

Ongoing Actions

- After the integrated charge card program is fully implemented, it is anticipated that additional opportunities for further streamlining and re-engineering administrative functions will be provided. Possible areas include:
 - Opportunities to further streamline payment functions through additional outsourcing.
 - Increase use of electronic malls for purchasing.
 - Further streamlining of the travel process through direct payments.

FY 2000 Planned Activities

- Participate in one or more pilot travel system efforts authorized by the Travel and Transportation Reform Act of 1998.
- Eliminate imprest funds to the maximum extent possible and phase-out the use of FedSelect checks.
- Continue efforts to implement the electronic payment requirements of the Debt Collection Improvement Act of 1996.
- Participate in the governmentwide effort to standardize and use one of the two electronic grant payment systems.
- Assess pilot program results for the central payment of lodging costs through the SmartPay program, and expand on a departmentwide basis if desirable.

Improving Prompt Payment Performance

Acknowledging the need to improve the Department's prompt payment performance, Interior created a departmentwide team to determine the causes of late payments. After analyzing the payment process, four areas were identified as critical to achieving significant improvement. The areas identified were reviewed and discussed on a departmentwide basis with the sharing of best practices. The areas identified were as follows:

- Reporting and quality control tracking.
- Updating guidelines and providing additional staff training.
- Identifying large dollar volume vendors; recurring payments, and/or utilizing fast pay.
- Improving processing (including front-end procurement processing, communication between Procurement and Finance), and field offices (for remote data entry).

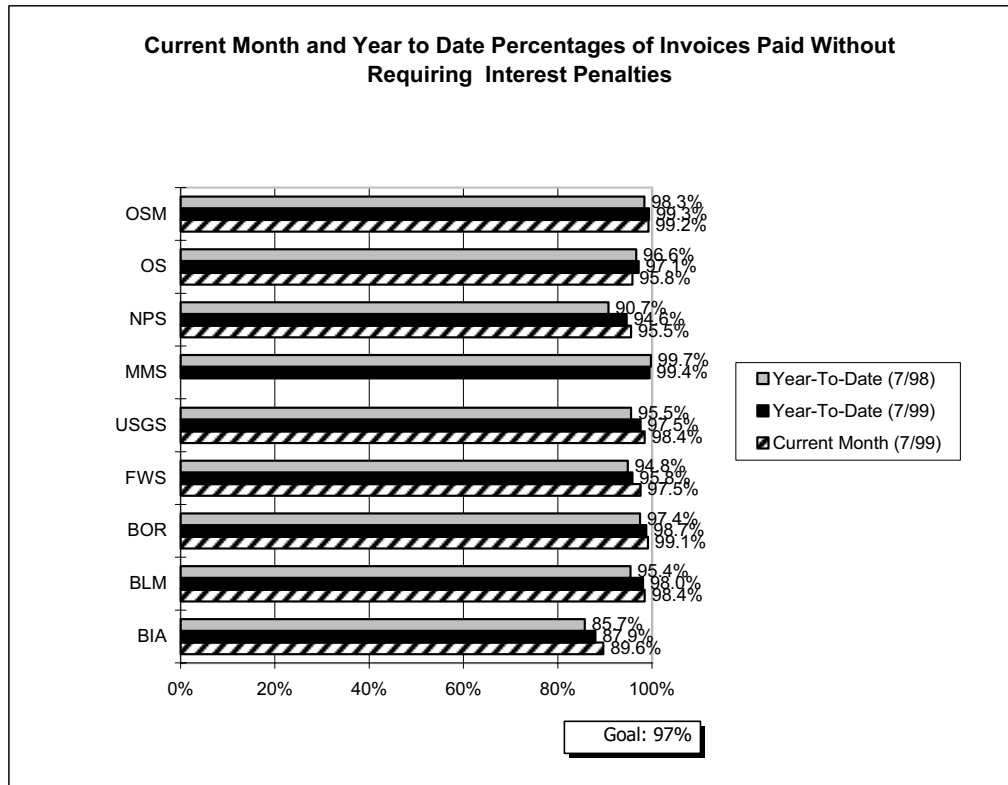
Moreover, each bureau submitted a plan that (1) identified the problems impacting prompt payment performance; (2) listed corrective actions; and (3) provided a time table for reaching the Department's goal. To measure progress, bureaus are required to submit monthly progress reports to the Office of Financial Management.

FY 1999 Accomplishments

- As of July 31, 1999, the Department had achieved an overall 95.2 percent rate of invoice payments that do not require late penalties (see *Exhibit 8-1*).
- The Bureau of Indian Affairs is accelerating its implementation of remote data entry of payment data (from field offices). Remote data entry has shown

Exhibit 8-1

**Department of the Interior
Prompt Pay Report
For the Period October 1, 1998 through July 31, 1999**



	Invoices Paid	Invoices Paid w/o Penalty	Percent of Invoices Paid w/o Penalty	
BIA	53,323	46,874	87.9%	
BLM	37,274	36,533	98.0%	Goal Achieved
BOR	24,271	23,960	98.7%	Goal Achieved
FWS	55,720	53,378	95.8%	
USGS	54,607	53,239	97.5%	Goal Achieved
MMS	12,912	12,834	99.4%	Goal Achieved
NPS	92,690	87,676	94.6%	
OS	9,217	8,952	97.1%	Goal Achieved
OSM	9,348	9,281	99.3%	Goal Achieved
TOTAL	349,362	332,727	95.2%	

tremendous progress on payments in the areas already implemented. BIA has the highest rate of late penalties and represents a significant share of the Department's total payment volume. Once remote data entry is fully implemented, overall interest penalties are expected to decrease. It is anticipated that remote data entry and other improvements in the payment processes will enable the Department to reach or exceed its goal.

PLANNED ACTIONS

Ongoing Activities

- Monthly prompt payment reports will be prepared by bureaus to monitor performance. If results are unsatisfactory, the Department will take corrective actions.
- Monthly progress reporting of interest penalties for bureaus that do not achieve a rate of three percent or less for payments requiring interest penalties.
- Reduce the number of interest penalties by increasing the use of purchase cards and paying more invoices under "Fast Payment" procedures.

FY 2000 Planned Activities

- Continue to closely monitor bureau performance until the goal of paying 97 percent of all payments without incurring late penalties is achieved. As of July 31, 1999, three bureaus had not reached the departmentwide goal.

Maximizing Opportunities for Utilizing Electronic Commerce and Other EDI Applications

An October 1993 memorandum from the President to the heads of executive departments and agencies established the objective to streamline procurement through the use of Electronic Commerce (EC). Interior has aggressively pursued the President's mandate. With the completion of the implementation of IDEAS in all major buying offices in FY 1999, Interior intends to increase its volume of EC procurement transactions. Electronic commerce will include a full range of procurement, financial, and other transactions such as Requests-for-Quotations, vendor responses, purchase and delivery order awards, notifications, purchase card transactions, data submissions, and payments.

From FY 1993 through FY 1998, the number of purchase cards increased from 4,535 to almost 21,000. The number of purchase card transactions increased from 96,060 to over 893,000, and the purchase card dollar volume increased from \$17 million to over \$277 million. At the end of FY 1998, Interior remained second among civilian agencies in the number of charge card actions and improved to second among the civilian agencies in the amount of dollar value of charge card dollars awarded. Interior expects to maintain its position in these categories for FY 1999.

In FY 1997, 72.6 percent of all small purchase actions under \$25,000 and 35.7 percent of the dollar value of all such actions were made with the purchase card. In FY 1998, those percentages increased to 76.9 percent and 40.5 percent respectively. The Department's target was to increase purchase card use to 75 percent of small purchase actions for FY 1998. Interior has a long-term goal of 90 percent of all purchases below \$2,500 to be made via purchase cards. The Department expects to improve its percentages and move closer toward its long-term goal by the end of FY 1999.

PLANNED ACTIONS

FY 2000 Planned Activities

- Continue with an integrated card solution for the purchase, travel, and fleet business lines under GSA's new "SmartPay" program.
- Continue with outsourcing the responsibility for charge card transaction processing to Bank of America.
- Provide web-based access for transaction information to our 55,000 purchase, travel, and fleet card holders.
- Continue consolidating the account setup and maintenance functions for the travel, purchase and fleet business lines.
- Continue automating the reconciliation process for centrally-billed accounts.
- Continue implementing an automated interface for all charge card transactions to the Department's accounting systems.
- Develop the necessary electronic exception reports to preserve the financial integrity of programs.
- Maintain a "daily pay" capability.
- Work to increase usage of web-based electronic commerce by all remaining major purchasing offices.
- Continue efforts to implement the electronic payment requirements of the Debt Collection Improvement Act of 1996.
- Continue to participate in the governmentwide effort to standardize Federal grant payment systems. By 10/1/2000, bureaus will offer grantees choice of grant payment either via agency proprietary system or by one of two grant payment systems designated for agency use—Treasury's Automated Standard Application for Payments System or the Department of Health and Human Services' Payment Management System.

FY 2001 and Beyond Planned Activities

- Assess the additional capabilities of the new charge card contract and determine which features to implement, including smart card features.

Shared Service Organizations

The Department provides commonly required administrative products and services to Interior and non-Interior clients through shared service operations. The National Business Center (NBC) and the Minerals Management Service (MMS) provide critical shared services to various Interior bureaus. In addition, the Interior Franchise Fund (IFF) provides selected services to non-Interior customers. The IFF uses both the NBC and MMS as service providers.

National Business Center

The National Business Center (NBC) is the result of merging three administrative service centers in three different bureaus into one service provider located within the Office of the Secretary. The NBC provides services related to such automated systems as the Federal Personnel Payroll System (FPPS); Federal Financial System (FFS); Fixed Assets and Inventory Subsystems; Interior Department Electronic Acquisition System (IDEAS); Federal Procurement Data System (FPDS); electronic commerce, electronic time and attendance system (QuikTime); mainframe time sharing; and Internet publishing. The NBC also provides accounting services, including operational reviews, requirement analysis Treasury reporting, training, and quality assurance; transportation and travel services; property management services; mail management services; printing and graphics services; information resources management systems and services; document management services; telecommunications; quarters management; facilities management services, including space planning, leasing and alteration services and building maintenance; acquisition services; training and development services through four learning centers managed by the DOI University; and specialized employee services such as security clearances, medical services, drug testing and Office of Workers' Compensation Programs (OWCP) case management. The NBC operates on a full cost-recovery business basis.

FY 1999 Accomplishments

- The Department completed the merger of its three administrative service centers, forming the Interior National Business Center (NBC) with offices in Denver, Colorado; Reston, Virginia; and Washington, D.C. This merger of expertise and resources is aimed at achieving greater departmentwide standardization and uniformity in providing administrative support services, improving operations and customers' services, reducing administrative costs, and fostering the opportunity for expanding the customer base.
- The NBC completed its conversion of all Interior bureaus to the Federal Personnel Payroll System (FPPS). The conversion was completed by January 1, 1999. The total number of personnel payroll actions being processed by the NBC on the FPPS is nearly 180,000. This number includes such non-Interior clients as the Social Security Administration, the Department of Education, the Federal Labor Relations Authority, the Federal Trade Commission, International Trade Commission, the Pension Benefit Guaranty Corporation, and the U.S. Trade and Development Agency.

- The NBC began providing accounting service to three new non-Interior clients during FY 1999. Specifically, the NBC began accounting cross-servicing functions for the International Trade Administration, the Corporation for National Service, and the Commodities Futures Trading Commission. In the instance of the International Trade Administration, the NBC actually became their full-service finance office.

PLANNED ACTIONS

FY 2000 Planned Activities

- The NBC intends to modernize the FPPS by adding a commercial relational database to improve queries and reports, building a "Windows-like" graphical user interface (GUI), utilizing a commercial-off-the-shelf (COTS) software to expand its functionality, and expanding employee self-service capabilities.
- The NBC plans to implement end-to-end electronic processing of procurements, vendor-based financial inquiries, and vendor submissions of electronic invoices, all under NBC's electronic commerce product, "EC21," or "Electronic Commerce for the 21st Century." The procurement side of EC21 is already being rolled out to all offices. The vendor inquiry system will be put in place beginning after FY 1999 close-out. The electronic invoice should be implemented in the second or third quarter of FY 2000.
- The NBC is also looking to improve the Department's credit card system. Specifically, the NBC will improve the quality and reliability of bankcard data provided to the bureaus and will reduce the amount of reconciliation and research required by the bureaus. The NBC plans to provide a centralized receiving point for bankcard invoices; provide data cleanup and reconciliation services centrally before releasing bankcard invoices to the bureaus; provide a central point of contact for all bankcard issues and for communication with the bankcard vendor; provide for centralized matching of fleet charges and related tax credits; and provide for centralized matching of convenience check fees to individual charges. The NBC also plans to improve the bankcard interface by modifying the interface to provide full compatibility with the latest cost allocation process.

Interior Franchise Fund

In 1996 the Department was authorized by OMB to establish, pursuant to the Government Management Reform Act (GMRA) of 1994, one of six franchise fund pilot programs within the Federal government. The objective of the franchise fund pilot program is to ultimately reduce the cost of government to the taxpayer through providing commonly required administrative products and services to other Federal agencies on a competitive, fee-for-service basis. The Interior Franchise Fund (IFF) carries out this responsibility by relying upon a network of service provider organizations. The current service provider organizations (Office of the Secretary's National Business Center and the Minerals Management Service) strive to operate in an entrepreneurial manner, consistent with OMB's "Twelve Business Principles" and can rapidly cross-service other agencies via interagency agreements. With the service providers' support, the IFF offers a suite of competitively

priced administrative systems and related support services, administrative operations, and general administrative services that are responsive to customers' needs and budgetary constraints. With almost two full years of experience, the IFF has made impressive progress towards meeting the objectives of the franchise pilot program. The Department continues to work closely with OMB, the government-wide Chief Financial Officers' Council, and the Department's congressional committees to ensure the development of a high quality pilot program for franchise services.

The IFF provides support to customers in the following areas:

- Administrative Systems and Systems Support (Financial Management Systems Software and Support; Procurement Systems Software and Support; Property Management Systems Software and Support; Time and Attendance System Software and Support)
- Administrative Operations (Procurement Operations; Accounting Operations; Personnel Operations)
- General Purpose Computing (Computer Timesharing)
- Independent Verification and Validation
- Electronic Commerce
- Training
- Drug and Alcohol Testing
- Audio Visual Center
- Cooperative Administrative Support Unit (Copier Placement Program; Temporary Help (professional, technical, medical, clerical); Labor Moving; Mail Delivery; Recycling; Interagency Property Center (Warehouse Interagency Transfer); Wellness Facility (Gym); Interpreters (Sign and Linguistic); Employee Assistance Program (EAP); Barcoding and Metering of Mail; Document Imaging; Equipment Rental; Laser Cartridge Recycling; Court Reporters; Computer Maintenance and Repair; Computer Training)

FY 1999 Accomplishments

- The number of customers has increased from approximately 90 in FY 1998 to 215, an increase of approximately 240 percent. No instances of dissatisfied customers leaving the IFF for another service provider have been recorded.
- Revenues have increased from \$21.8 million in FY 1998 to \$28 million for the first ten months of FY 1999. If revenue projections of \$50 million for FY 1999 materialize, that will represent an increase of 229 percent.

- Significant progress was made in liquidating the cumulative operating losses and turning the IFF into a profitable operation.

PLANNED ACTIONS

FY 2000 and Beyond Planned Activities

- Institutionalize a formal business planning process for each of the IFF business lines which includes marketing strategies, pricing analyses, performance measures, and retained earnings analyses.
- Continue to evaluate customer satisfaction and the quality of products and customer services by asking existing customers what the IFF can do better and how, with lessons learned being incorporated into future tactical plans.
- Continue to explore new products and services and “R & D” activities aimed at leveraging cutting-edge technologies to take maximum advantage of future opportunities.
- Continue the effort to provide “one-stop” shopping for most commonly required administrative services.

Minerals Management Service (MMS) Services

The Minerals Management Services operates as a service provider to the Interior Franchise Fund in three major categories. In the area of procurement support services, MMS provides a complete range of procurement services from inception to closeout (i.e., request for proposals through closeout of contracts). With regard to the human resources arena, MMS performs as a “full service” third party personnel office with management support services that include classification, recruitment, appraisal and awards management, employee/labor management relations, and employee development. MMS also maintains, configures, and operates an Information Technology Training Facility which may be used by other agencies on a fee-for-service basis. Beginning in FY 1998, MMS became the lead agency for the Denver Cooperative Administrative Support Unit (CASU).

Improving Electronic Communication

The Office of Financial Management (PFM) has embraced the Internet as an efficient and cost-effective means to electronically publish and disseminate critical financial management information to customers. In March, 1996, PFM created a home page on the Internet (<http://www.doi.gov/pfm>). The development of the web site (see *Exhibit 8-2*) and use of Internet-based tools demonstrates PFM's commitment to use information technology to streamline financial services. Currently, the Office of Financial Management web site comprises approximately 3,000 files and includes the following information:

- Office of Financial Management Organization and Staff Directory
- Financial Administration and Financial Statement Guidance Memoranda
- Departmental Reports
- Bureau Reports
- Departmental Financial Statements
- Management Accountability and Control
- Travel Information
- Financial Management Training Courses and Events
- Other Resources
- Links to Other Financial Management Web Sites

Exhibit 8-2



FY 1999 Accomplishments

- Created a web site that electronically registered approximately 250 people for the 1999 Financial Managers Conference.
- Created an intranet for Office of Financial Management staff.
- Published the Department's 1998 Annual Accountability Report in PDF (Portable Document Format) and HTML (Hypertext Markup Language) formats.
- Published the Department's 1998 Financial Management Status Report and Strategic Plan in PDF and HTML formats.
- Published speaker presentations and highlights from the 1999 Program and Financial Management Conference.
- Published other financial management documents as required (e.g., training, travel, policy documents, management accountability and control, financial statements, relocation).

PLANNED ACTIONS

FY 2000 Planned Activities

- Publish the Department's 1999 Accountability Report.
- Publish the Department's 1999 Financial Management Status Report and Strategic Plan.
- Publish other key financial documents to the Office of Financial Management web site and intranet.
- Work closely with FinanceNet to improve the delivery of government services by reducing sales and information distribution costs. As a member of FinanceNet's Technical Working Group, PFM works in partnership with other Federal financial management offices to facilitate access to government information.
- Expand the use of electronic technology to reduce/eliminate paper driven inputs/outputs.

CHAPTER 9. PROVIDING DATA STEWARDSHIP

GOAL: Ensure that financial data captured and reported is accurate, accessible, timely, and useable for decisionmaking and activity monitoring.

Data stewardship is the process of managing information necessary to support program and financial managers, and ensuring that data captured and reported is accurate, accessible, timely, and useable for decision-making and activity monitoring. The objective of data stewardship policy is to address data collection synchronization, reduced data redundancy, data accessibility, data availability, and data flexibility in a systematic manner. Effective data stewardship requires that (1) definitions clearly describe requirements and characteristics of data to be maintained in financial management systems; (2) data be created, recorded and reported in compliance with definitions; (3) feedback is provided when data are inadequate to meet user needs for information; and (4) data assurance provides attestation to, or comments on, the integrity of the information within the system.

The Office of Financial Management (PFM) provides overall coordination of data stewardship functions for financial data in the Department. The data stewardship function involves two levels of activities: (1) participation in governmentwide financial data standard setting and (2) Department of the Interior financial data setting in coordination with the bureau finance operations.

The Office of Financial Management has assigned one staff person to focus on data stewardship functions, participate in governmentwide financial data standard setting activities, and coordinate with the Standard Accounting Classification Advisory Team (SACAT) on setting standards for financial data for use throughout the Department. The Office of Financial Management data steward monitors the departmentwide data definition process, monitors data creation and compliance processes, ensures data usage relies on information derived from data consistent with intended definition, and that adjustments are made to data definitions when data are inadequate to meet user needs. This function also coordinates departmental financial data definitions with the two key governmentwide financial data standard setting groups, the Financial Management Service's Standard General Ledger (SGL) Board and the Office of Management and Budget (OMB).

To coordinate the establishment and implementation of financial data standards in the Department, the bureaus and the Office of Financial Management chartered the SACAT under the leadership of the Finance Officers' Partnership to establish and maintain a common approach among the bureaus for addressing SGL issues that relate to accounting policy and procedures, reporting requirements, internal controls, and SGL maintenance. The Office of Financial Management data stewardship person is a member of the SACAT.

FY 1999 Accomplishments

- Participated in the Standard General Ledger Board and Issue Resolution Committee to ensure that the Department's position is fairly presented and defended.
- Participated in the governmentwide Elimination Entries Working Group to develop strategies and procedures to be applied by all Departments to identify and prepare proper intra-Department elimination accounting entries for the governmentwide consolidated financial statements.
- Worked with OMB and Treasury to test the FACTS II data model.
- Participated in the SACAT to ensure that the bureaus' data structure is consistent with the governmentwide data model.
- Prepared the FY 1998 departmental consolidated financial statements based on the revised SGL account structure.

PLANNED ACTIONS

Ongoing Activities

- The Department will determine how to best use the reporting process to support performance reporting under the GPRA and the preparation of the annual Accountability Report.

FY 2000 Planned Activities

- Develop a data integrity management control review.
- The SACAT will work closely with the Decision Support System/Executive Information System (DSS/EIS) Team to ensure that pertinent information is delivered to executives for decision-making purposes.
- Coordinate, on a departmentwide basis, critical definitions for financial data necessary for reporting to OMB, the Department of the Treasury, and for departmentwide decision-making and management. This effort will work through the SACAT.

FY 2001 and Beyond Planned Activities

- Establish feedback procedures on data definition, and usage to identify and resolve data definition issues relating to bureau, Department, or Federal government user requirements.
- Develop standards for transaction level interfaces.
- Determine how the information technology and user communities can best coordinate their efforts to standardize data requirements.

CHAPTER 10. IMPROVING ADMINISTRATION OF FEDERAL ASSISTANCE PROGRAMS

GOAL: Administer the Department's grant programs to ensure compliance with Federal regulations and good management practices.

The Department awards 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 non-profit organizations. The administrative standards, cost principles for determining allowable and unallowable expenditures of Federal dollars, and the requirements for auditing non-Federal parties' management of Federal dollars for these awards are based on OMB Circulars, implementing regulations, Departmental Manual issuances, and specific statutory provisions.

The Department implements these requirements through a broad regulation at 43 CFR Part 12, Subpart A. This regulation states the applicability of the OMB Circulars to all financial assistance awards and subawards in the form of grants and cooperative agreements made by the Department. In addition, the regulation provides that the circulars published in the Federal Register are made a part of the regulation including changes published in the Federal Register by OMB. By adopting the policies included in these Circulars, the Department ensures that the awards are administered in accordance with governmentwide standards in a consistent manner. The Department continues to implement any policy changes in the administration of awards made as required by revisions made to OMB Circulars as well as statutory provisions.

The Department joined in the publication of the governmentwide grants management common rule that specifies uniform administrative requirements for State and local grantees, published a regulation implementing the administrative requirements for non-governmental entities, (OMB Circular A-110), and joined in the publication of an implementing regulation for OMB Circular A-133. The Departmental Manual includes corresponding Departmental issuances implementing OMB Circulars A-102 and A-110.

As part of governmentwide rulemaking, the Department joined in the publication of regulations implementing lobbying restrictions, drug-free workplace requirements, and nonprocurement debarment and suspension. In addition, the Department has published regulations implementing Buy American requirements for financial assistance. These requirements have been included in the Department's Appropriations Acts.

The Department is an active participant in the Inter-Agency Electronic Grants Committee and is a partner in the U.S. Electronic Grant Pilot Project. Through this effort the Department is helping to develop an electronic system which will improve the grants process through the use of electronic commerce.

The Department, with input from the Interior Federal Assistance Working Group, has begun the implementation process for the recommendation from the CFO Council Committee on Grants Management and the Sub-Committee on Cash Requests to reduce the number of payment systems being used by grantees.

FY 1999 Accomplishments

- Each of the eight Interior grant processing bureaus selected for implementation one of the two recommended grant payments systems.
- Each bureau developed a high-level migration plan.
- Working groups were established to move toward a standard implementation of the grant payments systems.

PLANNED ACTIONS

Ongoing Activities

- Participation in the U.S. Electronic Grant Pilot Project will continue.
- Implementation of the proposed Grants Management Professional Career Management Program will continue.

FY 2000 Planned Activities

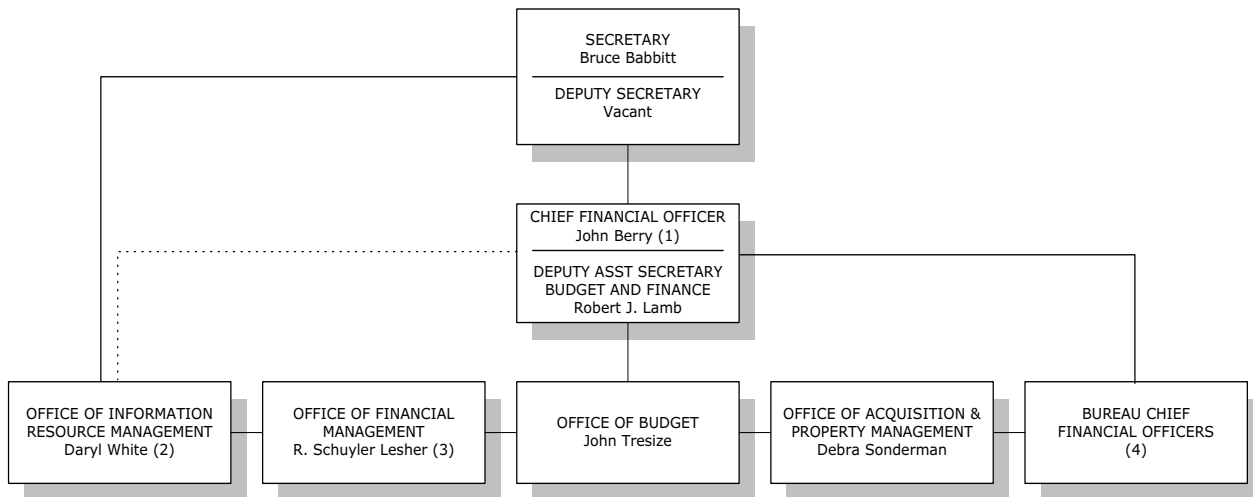
- Continue implementation efforts for each bureau to migrate to one of the two grants payments systems sanctioned by the CFO Council.

FY 2001 and Beyond Planned Activities

- Discontinue use of proprietary grants payments systems.
- Each bureau will offer to grant recipients one of the two grants payments systems sanctioned by the CFO Council.
- As required, further implementation of changes in OMB Circulars, statutes, and regulations, regarding the administration of awards made will be done.

Appendices

Department of the Interior
 Chief Financial Officer
 Organization



- (1) Assistant Secretary - Policy, Management, and Budget
- (2) Chief Financial Officer - Reports to the Secretary and receives administrative guidance from the Deputy Ass't Secretary, PMB
- (3) Deputy Chief Financial Officer and Director of Financial Management
- (4) Assistant/Associate Director - Finance and Administration

ORGANIZATION

Chief Financial Officers and Deputy Chief Financial Officers

John Berry, Chief Financial Officer, DOI	Dennis Sykes, Deputy Chief Financial Officer, BLM
Robert J. Lamb, Deputy Assistant Secretary - Budget and Finance, DOI	Bob Brown, Chief Financial Officer, MMS
R. Schuyler Leshner, Deputy Chief Financial Officer, DOI	Don Matheson, Deputy Chief Financial Officer, MMS
John Rogers, Chief Financial Officer, FWS	Hilda Manuel, Chief Financial Officer, BIA
Paul Henne, Deputy Financial Officer, FWS	Deborah Maddox, Deputy Chief Financial Officer, BIA
Barbara Ryan, Chief Financial Officer, USGS	Bruce Scheaffer, Chief Financial Officer, NPS
Martin Eckes, Deputy Financial Officer, USGS	Jon Shrum, Deputy Chief Financial Officer, NPS
Tim Calkins, Deputy Financial Officer, USGS	Stephen Magnussen, Chief Financial Officer, BOR
Bob Doyle, Chief Financial Officer, BLM	Kathy Gordon, Deputy Chief Financial Officer, BOR
Betty Buxton, Deputy Chief Financial Officer, BLM	Bob Ewing, Acting Chief Financial Officer, OSM

FINANCE OFFICERS' PARTNERSHIP

Member	Coordinator	Bureau/Office
George Keller, Chair	Vacant	MMS
Karen Baker, Associate Chair	Sheila Smith	OS
Gene Virden	Geraldine Stivers	BIA
Betty Buxton	Esther Horst	BLM
Dennis Sykes	Esther Horst	BLM
Efraim Escalante	Sandi Inglefield	BOR
Dave Holland	Art Ford	FWS
Jon Shrum	John Madigan	NPS
JoAnn Hagan	Leslie Peabody	OSM
R. Schuyler Leshner	Clarence Smith	PFM
Jack Blickley	Deborah Sykes	USGS
Doug Lords	Jerry Harjo	OTFM

FINANCE OFFICERS' PARTNERSHIP

The Finance Officers' Partnership (FOP) is a professional accounting organization made up of departmental financial officials and bureau finance officers. The primary purpose of the FOP is to provide: (1) a means of managing and rapidly implementing the financial recommendations of the National Performance Review and the Department's CFO Council; and (2) a structure through which finance officers develop agreements, consensus, and priorities on improvements in systems, operations, services, and information. The goal of the FOP is to coordinate, cooperate, and participate in the short and long term improvement of the Department's Financial Management Program while promoting efficiencies that reduce costs and improve service (see Appendix A for the FOP roster.)

Mission

The FOP's mission is to:

- Provide leadership in developing financial management strategic direction.
- Plan, implement, and manage financial management initiatives.
- Ensure linkages across administrative support functions.
- Advance sound financial policies and practices.
- Champion the establishment of a partnership relationship with program managers.
- Encourage collaborative efforts across the Interior financial community.
- Promote consensus within the Interior finance arena and establish priorities.
- Foster information sharing within the Department of the Interior both to and from the CFO Council and the Office of Financial Management.
- Provide a structure for communicating the accomplishments of the Interior financial management community.
- Establish operating structures to address data stewardship, management of systems, and other initiatives.

The FOP recognizes that financial management encompasses the full range of administrative disciplines: Accounting, Budget, Personnel/Payroll, Acquisition, Property, and Information Resources Technology. To effectively accomplish its goal, the Partnership will reach out to these disciplines to form expanded Partnership teams to address the overall complex financial management challenges.

The recommendations of the FOP are made through the Office of Financial Management (PFM) to the CFO Council. The FOP organization consists of one representative from PFM (the Deputy Chief Financial Officer's representative) and one representative from each bureau (Finance Officer). Meetings are held on a regular basis.

The FOP uses Project Action Teams (PATs) to address issues and implement initiatives and activities. The FOP selects PAT leaders and staffs them from the bureaus, the National Business Center (NBC) and PFM. In general, the PATs manage the projects (action items) and are accountable to the FOP through their representatives for the completion of assignments.

The FFS-SAB operates under its charter but reports to the FOP. The SACAT also functions under the FOP and covers both the FFS and ABACIS bureaus.

Administration

The Chairperson is responsible for the direction and administration of the FOP as follows:

- Coordinate and facilitate the exchange of management information necessary for the FOP to track each project.
- Facilitate and influence the activities of the PATs and any special teams, in cooperation with the Accountable Finance Officer, the SAB, and the SACAT. Prepare and distribute periodic reports or summaries of activities.
- Represent the FOP at CFO Council meetings.
- Assist in obtaining the resources necessary to carry out PAT team objectives.
- Schedule meetings, develop and distribute agendas, conduct meetings, prepare meeting minutes as appropriate and distribute to each FOP representative.
- Solicit comments and recommendations from FOP representatives.
- Present reports and recommendations made by the FOP to the CFO Council through the Office of Financial Management.

High Priority Projects and Project Action Teams

The FOP reviews recommendations presented by the CFO Council, the Office of Financial Management, the National Business Center, and the bureaus. The FOP prioritizes the projects and the selected PAT prepares a Project Scope Statement which defines the project objectives, target completion dates, dependencies and assumptions, and major milestones.

The FOP currently has numerous teams in operation, including those dealing with:

- Functional requirements of new financial management systems.
- Department and Bureau annual financial statements.
- Accounting operations issues.
- Internal controls relating to governmentwide charge cards.
- Functional requirements of new financial management systems.

Project Management

The hierarchy for project management is illustrated below:

- CFO Council
- Deputy Assistant Secretary - Budget and Finance/Office of Financial Management
- Chair, Finance Officers' Partnership
- Finance Officers' Partnership Representatives
- Project Action Team Leaders
- Project Action Team Members

The accountable manager for a PAT is the FOP representative to whom the PAT Leader reports. Ultimately, the Chair is responsible for reporting the progress and accomplishments of each of the PATs to the CFO Council through the Office of Financial Management. The accountable FOP representative is responsible for ensuring that the Team Leader who reports to him/her has adequate resources to successfully complete the project on time and that identified resource problems are immediately reported to the FOP for resolution. Revised dates for deliverables must also be reported immediately with an assessment regarding the impact of such revisions on the project end date.

BUREAU FINANCIAL MANAGEMENT INITIATIVES

Bureau of Land Management (BLM)

- *Developing and Implementing a Management Information System:* Early in FY 1998, the BLM implemented the first module, Budget Execution, of its Management Information System (MIS). By the end of FY 1999, the Performance Measurement module, the Property, Space, & Motor Vehicle module, the Billing and Collections module, Customer Survey module and the Managerial Cost modules were all implemented. This system will meet the requirements of a finance system with integrated cost accounting, and will provide timely, meaningful business information to managers in the field. With the modules already in place, the MIS provides on-line access and is updated daily from the bureau finance system. MIS uses low maintenance equipment, is web-based on the bureau intranet, and has ad hoc query capability. The MIS is already providing users with the capability of extracting data at whatever level of detail desired into individually designed report formats and is reducing the number of paper management reports distributed to the field.
- *Imprest Fund Reductions:* BLM reduced the total funds in its 138 imprest and currently only have change making funds. Reductions occurred as field offices have received and started using convenience checks. Through effective use of small purchase charge cards and convenience checks, and mandatory use of processing travel advances and awards through electronic payment systems, the closure of BLM imprest funds, as mandated by the Debt Collection Improvement Act, has effectively occurred.
- *Collection and Billing System:* In 1998, BLM had no common process for managing billing and collections in its State and District offices. As a result, each office has addressed the problem of processing bills and recording receipts in its own way. These offices then forward information, usually in the form of paper or email documents, to the BLM National Business Center (NBC) in Denver for manual entry into the Federal Financial System, resource tracking systems, and other Federal government systems.

Therefore, a project was initiated to create a new Billing and Collections system to standardize and automate the existing process. The project has the following vision: "To have a single system for billings and collections that is easy for the customer, provides BLM managers and staffs with accurate and timely information on collections and receipts, minimizes the opportunities for errors, makes funds available for BLM and Treasury use rapidly, meets electronic funds transfer requirements, and from the time of initial data input at the field level the data are processed and loaded into FFS without additional manual actions."

The design objectives of the project will support:

- ◆ Assisting BLM managers in recognizing business risks, consequences, costs, and solutions in analyzing processes and systems, and in making decisions;
- ◆ Providing accurate and timely collection information in order to more effectively manage receipts and collections;
- ◆ Meeting the increasing demands for data and service to customers;
- ◆ Providing on-line access by the public to purchasing BLM products;
- ◆ Providing information that will help managers make the proper investments in people, systems, and technology so that the agency will work better in the future;
- ◆ Reducing the amount of time needed to deliver services to customers;
- ◆ Meeting new requirements of the CFO Act and other recently enacted financially-oriented legislation; and
- ◆ Making BLM processes and procedures easier to understand and perform.

The BLM has also initiated the CBS project, which is a web-based intranet application with four phases spanning two fiscal years. Phase One consists of automating the collections process. This includes the establishment of an electronic "point-of-sale" system, computer generated receipts, automated reconciliation processing, electronic data sharing with other Federal agencies, on-line bill payment and purchasing of other BLM products (such as maps), and automated updating of FFS. Phase Two consists of establishing electronic data sharing processes with other Federal agencies as well as automating the sharing of collected funds with states and counties. Phase Three consists of automation of bill preparation, including one-time bills and bills that re-occur on a regularly scheduled basis. This will also include a process to identify unpaid bills and a "dunning" process. Finally, Phase Four consists of designing electronic data sharing processes with other BLM natural resource computer systems.

- *Deferred Maintenance Systems:* The BLM has initiated a major effort within the bureau to update the condition assessment of the assets within its purview and to systemically record and track the maintenance requirements of those assets, including that maintenance which has been deferred. Previous reviews by the OIG has determined that the system in place, the Facilities Inventory and Maintenance Management System (FIMMS), adequately records and tracks assets, but was not always kept current and was not designed to provide accounting information. In response to this shortcoming, the BLM has started an effort to assess every asset group (bridges, tunnels, roads and trails, recreation sites, administrative sites, and dams), to assure that adequate documentation is in place to support the assessments and the maintenance (current and deferred) cost estimates, and to improve the FIMMS to make property and financial data

more accessible and reliable. BLM completed administrative sites, recreation sites bridges and dams. In FY 2000, BLM will continue our schedule of condition surveys and begin on roads and trails.

- *Implementation of Activity Based Costing:* The BLM has chosen Activity Based Costing (ABC) as the methodology it will employ to develop managerial cost accounting data for reporting and performance measurement purposes. The ABC pilots demonstrated to management that ABC is an effective vehicle that BLM can use to meet the requirements of the cost accounting standards and performance measurement under the Government Performance and Results Act. This new system approach will provide managers with meaningful information regarding program effectiveness and will facilitate comparative measurement of programs across the bureau, so that best practices can be identified and emulated. In FY 2000, BLM will revise its cost accounting system so that it will not only track the source of funds but at the same time track the cost of output that it produces. All of the outputs will be aligned with its responsibility segments.
- *Implementation of IDEAS:* BLM has implemented the Interior Department Electronic Acquisition System throughout its major offices. Since it interfaces with FFS, IDEAS eliminates the need for separate data entry for commitments and obligations and provides the capability to track most procurements. In FY 2000, BLM plans to have the IDEAS data incorporated into the Management Information System.
- *Implementation of ASAP:* BLM plans to implement Treasury's Automated Standard Application for Payments system in FY 2000. This system will provide BLM's grantees the ability to draw down on payments through BLM's cooperative agreements.
- *Implementation of Southern Nevada Public Land Management Act:* Under the Southern Nevada Public Land Management Act, the BLM has begun an investment program in Treasury securities. The Act authorizes the disposal of certain federal lands in Clark County, Nevada with 10 percent of the proceeds paid to the Southern Nevada Water Authority, 5 percent paid directly to the State of Nevada, with the remaining 85 percent to the BLM. These monies collected by the BLM are being invested in Treasury securities until expended as authorized under the Act. The invested amounts will vary over time, due to the timing of the land sales and expenditures authorized under the Act. However, for FY 2000 we expect the invested amounts to approximate 20 million.

Bureau of Reclamation (BOR)

Implementation of New Processes and Procedures

- In FY 1999, Reclamation assisted the Department in the consolidation of its administrative centers. On April 1, Reclamation transferred management and financial balances and accounting responsibilities for the Denver Administrative Services Center to the Department's National Business Center, the purpose of which is to realize efficiencies and the benefits of consolidating similar activities under one management structure.
- In July 1999, Reclamation began successfully transferring eligible debt (60 days and older delinquent) to Treasury for cross-servicing. This process uses an in-house developed automated program to perform this function.
- Reclamation successfully implemented the PD-IDEAS/FFS interface in six major purchasing locations and all of the smaller field units in two of those major locations.
- Reclamation achieved a 98 percent electronic funds transfer rate to the financial institution accounts for all vendors and travelers it pay. Waivers have been kept to a minimum for employees and commercial vendors.
- Reclamation implemented a pilot program to centrally bill lodging costs with the Bank of America charge card program. This program has (1) streamlined the travel process, (2) provided improved service to traveling employees by reducing the complexity of the travel voucher eliminating lodging costs as an individual employee payment responsibility, and (3) obtained significant charge card rebates for the Department.

Improvements of Current Business Processes and Systems

- Reclamation received an unqualified opinion on its financial statements for the sixth consecutive year, which validates the integrity and reliability of Reclamation's accounting system, practices, and financial data.
- Reclamation is adopting the standard software used by the Department for the preparation of financial statements. Hyperion is expected to result in a streamlined approach for both the preparation and audit of the statements (quicker results and fewer people), and will convert from a manual to an automated communication protocol of financial data to the Department necessary for the preparation of its consolidated financial reports.
- Reclamation continued to successfully keep its prompt pay interest below the DOI standard. Total interest amounts paid are 66 percent lower than projected for FY 1999.

- Reclamation continued efforts to improve the interagency agreement process for reimbursement with other federal agencies, and provide technical guidance, support, and training on the reimbursable standard general ledger reporting.
- Reclamation made required changes to custom accounting report programs and procedures to ensure that all are Year 2000 compatible and has coordinated changes and Year 2000 systems requirements with other internal and external clients that access our accounting data, files, and reports.
- FFS table clearing programs were executed to archive large volume of historical records from the Purchases, Payables, and Travel related tables and also the Auto Disbursement tables in an effort to reduce systems maintenance costs and enhance the performance of the accounting system. A total of approximately 4.8 million records were archived.
- Reclamation continued to provided key resource support (dollars and staff) in assisting the Department in the development of a plan and strategy for the acquisition and implementation of replacement financial management system within the next five-to-seven years. Reclamation assumed leadership positions on three of thirteen sub-teams: core accounting, acquisitions, and facility management.
- Reclamation converted to the standard budget object class codes adopted by the Department. The conversion will promote greater standardization throughout the Department and more easily accommodate data roll-up at a higher level.
- Reclamation implemented improved controls over the source and disposition of certain project revenues. These controls will further protect the government's assets, help Reclamation comply with requirements established by project legislation, and more accurately identify proper credits to the project beneficiaries.
- Reclamation initiated an effort in reviewing and testing the functionality and capability of Interior's FFS Labor Cost Interface System in an effort that will lead to replacing Reclamation's custom Labor Cost interface in the interest of being consistent with other Interior bureaus and in reducing operating costs and improving efficiency. The initial testing has surfaced a need for further enhancement of the DOI Labor Cost interface to allow Reclamation to provide for the cost accounting requirements currently in place and consistent with FASAB No. 4. Specifically, the system must accommodate direct charging, leave surcharge, and general overhead for Reclamation to consider converting to DOI's system.

Fish and Wildlife Service (FWS)

The FWS is focused on providing quality financial management services to its natural resource programs while implementing the CFO Council's and DOI's priority initiatives and complying with federal standards of accountability.

Improving Voucher Payment Processes

The FWS manages the payment of vouchers using a combination of innovative tools. The FWS has franchised vendor payments exceeding \$25,000, travel vouchers, imprest replenishment vouchers and OPAC transactions to the Department's National Business Center. Vendor payments under \$25,000 and construction payments are processed by individual FWS offices using Remote Data Entry.

Ensuring Prompt Payments: The FWS is continuing efforts to maintain a high level of performance in the area of processing payments promptly in accordance with federal and DOI prompt payment priorities. Prompt payment performance has been improved by expanding the types of payments that can be processed using Remote Data Entry and expanding by implementing the PAYTECH payment technology, which consolidates common vendor transactions into a bureauwide electronic payment. The FWS continues to emphasize the use of charge cards and contracting officers have been authorized to use the cards as payment instruments up to the limit of their warrant authority, not to exceed \$100,000. A new focal point that is being addressed is standardizing Remote Data Entry processing for the significant number of repetitive payments, such as utilities and local telephone services.

Monthly management reports on prompt pay are provided to each Regional Director for use in managing their payment processing. For the most recent quarterly period ending July 21, 1999, two percent of all payments incurred payment penalties.

Implementing EFT and Reducing Cash Transactions: The FWS expanded EFT as part of governmentwide and DOI initiatives to comply with the electronic payment requirements of the Debt Collection Act. New FWS policies mandate that travel and imprest replenishment vouchers be paid strictly through EFT.

FWS has also implemented Treasury's FedSelect checkwriting program at the regional level to handle localized reimbursement and small purchasing needs.

Developing Innovative Financial Management Processes

Bank of America Charge Card: As with DOI's implementation of the new purchase, travel, and fleet charge card platforms, the FWS will seek to develop new financial processes to take advantage of the new cards' capabilities. The FWS seeks to consolidate and centralize the billing and payment processes for certain categories of travel and fleet expenses. This will promote efficiencies as the total number of payments made will be reduced and will enhance overall prompt payment performance.

Integrating FFS with Other Management Systems: With the passage of the Federal Financial Management Improvement Act of 1996, there has been increasing emphasis placed on the integration of financial and management information systems. In FY 1998, the FWS dedicated significant resources to successfully implement an automated interface between the departmental payroll system, FPPS, and the core accounting system, FFS. In FY 1999, the FWS implemented its automated Budget Allocation System (BAS), which also will interface with FFS. The BAS, which is accessible on the FWS's intranet, provides users with allotment and allocation information for all appropriations. The software has query capability that enables users to search multiple combinations of budgetary information. The interface with FFS provides automated updates of carryover and recovery information.

The FWS participated in the DOI effort to automate procurement processes by implementing the IDEAS-PD system in FY 1998. This system enables users to electronically prepare and distribute procurement documents for approval and to distribute requests to vendors, receive quote responses, make awards, and issue award notices. The FWS is pilot testing an interface between IDEAS-PD and FFS. Overall, the system will enable the Service to take advantage of the latest technology to communicate with contractors while increasing competition and reducing solicitation and contract award turnaround times. The financial interface will promote accurate and timely transaction reports and ensure greater financial accountability.

Supporting DOI Financial Management Initiatives

The FWS provides considerable staffing resources to DOI's Office of Financial Management through its participation in workgroups that address priority financial management issues and initiatives. These commitments include participation on the following standing councils:

- Software Advisory Board
- Standard Accounting Classification Advisory Team
- Financial Statement Guidance Team
- Finance Officers' Partnership

In addition, the FWS has contributed resources to working teams addressing the following priority issues:

- Benchmarking
- FFS Migration
- Charge Card Implementation
- Deferred Maintenance
- Managerial Cost Accounting
- Travel Management Centers
- Emergency Firefighting Payroll

Stressing Management Accountability in Implementing Accounting Standards

The FWS has made a number of significant advances in the area of financial reporting. Improvements in reporting real and personal property assets have been instrumental in enabling the FWS to maintain its third consecutive unqualified audit opinion. The FWS is continuing to develop data collection and reporting processes to facilitate compliance with Federal Accounting Standards Advisory Board standards. These current efforts are directed at meeting the requirements for Property, Plant and Equipment (SFFAS No. 6), Supplementary Stewardship Reporting (SFFAS No. 8), and Managerial Cost Accounting (SFFAS No. 4). For its FY 1997 and 1998 Accountability Reports, the FWS prepared a Statement of Net Cost, which allocated total costs to the strategic mission goals established under the Government Performance and Results Act. The FWS uses an interdisciplinary approach with workgroups comprising financial, program, and administrative staff. FWS financial staff have undertaken steps to educate bureau officials on the critical role played by program officials and other senior managers in accountability reporting.

Financial Management Training Initiatives

In partnership with the National Conservation Training Center in Shepherdstown, West Virginia, FWS financial managers have developed two basic financial management training courses that will be offered throughout the year at the NCTC campus. These initial courses are intended for operational personnel at the field station and regional office level who have financial responsibilities. The objective of these courses is to ensure the continuity of quality financial processing skills at the operational level.

The first course, "Financial Fundamentals for Administrative Professionals", addresses the basic skills needed to succeed as an administrative professional with financial responsibilities. Course topics include: the federal budget cycle, types of funding authority, obligations and expenditures, document control numbers, cost structures, FWS financial reports, FFS, and credit cards. The second course is titled "Financial Transaction Processing" and focuses on the skills needed to input and process financial transactions in FFS. The course covers remote data entry of obligations and payments, payroll processing, and year-end processing.

In the coming year, efforts will begin to develop a financial management training course for FWS management professionals. The emphasis of this course will be to educate managers about the Federal Accounting Standards and their impact on program financial management.

Minerals Management Service (MMS) and The Office of Surface Mining Reclamation and Enforcement (OSM) ABACIS Bureau Partnership

The ABACIS Bureau Partnership which includes MMS and OSM jointly works on initiatives to streamline and automate financial processes. This partnership allows the bureaus to share both personnel and computer resources in order to optimize our ability to meet changing requirements in the federal financial management arena. The major Partnership accomplishments for FY 1999 are: (1) conversion of ABACIS programs to be Year 2000 compliant; (2) implementation of the integrated credit card interface; and (3) implementation of data imaging at MMS. Logicon, Inc., a third party independent Year 2000 consultant for the Department, assessed the independent verification and validation compliance of ABACIS. Logicon determined that ABACIS either was fully Year 2000 compliant or adequately addressed all items in the contingency plan. A major partnership project currently underway is the development of an interface between IDEAS and ABACIS, with an implementation date of October 1, 1999. Bureau specific accomplishments and plans follow.

Minerals Management Service

- MMS re-engineered its front-end microfilming process by replacing the microfilm camera and reader with state-of-the-art data imaging technology. This front end is fully integrated with ABACIS, which allows accounting technicians and other users to access images based on any known information about the document. This initiative saves resources by making data images of documents easily available electronically for review by accounting technicians, program staff, and auditors.
- MMS expanded its efforts to increase EFT payments to vendors and employees. Over 94 percent of disbursements to MMS vendors are via EFT. Also, over 98 percent of travel and miscellaneous payments to MMS employees are made via EFT.

Office Of Surface Mining

- *Financial Statements/Accounting Standards:* OSM has fully implemented the managerial cost accounting standard. Managerial cost accounting reports are being produced at the output and office level, as specified by OSM managers. Managerial cost reporting will also continue at the segment and GPRA level. OSM has streamlined the compilation of its financial statements and has created a system of automated checks to simplify its quality assurance process. OSM anticipates receiving its ninth straight clean opinion on its financial statements.
- *Financial Management Systems:* In December 1998, OSM implemented a module to ABACIS for processing the integrated credit card centrally billed transactions. The cardholder inputs transactions which are matched against the invoice download from the Bank of America (Nations Bank) to allow next day pay of the invoice. All non-matched charges are automatically paid to default accounts. The module which is fully integrated with ABACIS allows for up to ten

default accounts and permits the cardholder to adjust the accounting information at anytime. Useful management reports are produced by the system including reports showing all the purchases by an office, a purchase report by cardholder, and reports that show detailed accounting information by purchase and cardholder.

- *The Management Accounting and Performance System (MAPS)* was enhanced during FY 1999. MAPS is an online reporting tool that utilizes a parallel data warehouse of ABACIS as a data source. MAPS provides decision-makers with valuable information regarding the status of funds, labor and payroll, grant and personnel management information. The effort involved enhancing internal and quality controls regarding data integrity, system availability, and increasing the user base. A report library was developed to ease data access to recurring information requests. During FY 2000, OSM plans to utilize MAPS as the platform to auto-generate quarterly GPRA/managerial cost accounting reports. Other planned enhancements include increasing the number of “canned” reports in the report library and enlarging the physical size of the data warehouse to accommodate future data.
- *Receivables:* OSM has established two performance goals and measures under the Government Performance and Results Act relating to receivables. The first one states that OSM will continue the reduction of outstanding delinquent debt (excluding bankruptcy and payment plans) over 180 days old. The base line date for this measure is 9/30/97. Since that date OSM has reduced the number of cases by 47.2 percent. The second measure states that OSM will attain a 98 percent debt processing rate within the first 180 days. For the quarter ended 3/31/99 this rate was 97.1 percent. The rate for the third quarter is being determined.
- In FY 2000, OSM will focus on determining the net realizable value of its accounts receivable. This is consistent with the Administration and Congress’ focus on reducing the significant Federal non-tax delinquent debt. We estimate that approximately 50 percent of all outstanding debt over two years old is of dubious realizable value. By focusing on net realizable value, more accurate economic information will be reported to OMB in OSM’s TROR.
- We plan to review the use of a credit card collection program. This may enable OSM to eliminate lockbox payments and decrease the number of collection officers in the field. It may also increase our customer satisfaction by allowing alternative methods of payments.
- *Electronic Data Interchange (EDI) Pilot Project:* OSM is developing a pilot project for the electronic transmission of information on the OSM-1 form, Coal Reclamation Fee Report, currently submitted on paper by all reporting coal companies. The information provided on the OSM-1 form determines the quarterly Abandoned Mine Land (AML) reclamation fee liability due. The completed form also provides additional information to OSM that is required by the Surface Mining Control and Reclamation Act of 1997 (SMCRA), as amended.

Information obtained from coal companies participating in the Electronic Data Interchange pilot will not differ in content from what is currently collected by OSM. The intent of the pilot project is to reduce reliance on paper and to utilize the input from our customers to fashion an EDI process that provides a convenient electronic alternative for the coal industry. In FY 2000, OSM plans to begin the pilot project.

- *Payments And Business Methods:* OSM reduced Prompt Payment Act interest from 1.2 percent at the start of FY 1999 to a cumulative rate of .95 percent in June 1999.
- OSM implemented an aggressive policy to comply with the EFT provisions of the Debt Collection Improvement Act of 1996. During FY 1999, OSM increased vendor compliance from 62.6 percent to 81.9 percent and travel/miscellaneous payments from 93.0 percent to 99.5 percent.

National Park Service (NPS)

Cash Management

- *Delinquent Debt Transfer to Treasury:* The National Park Service implemented the Treasury Offset program in FY 1997. As of the end of FY 1999, the Service has transferred 95 percent of the eligible debt.
- *Reduction/Elimination of Imprest Funds:* In compliance with the Debt Collection Improvement Act of 1996, the National Park Service reduced the maximum fund balance for most of its designated cashiers to \$100.
- *Travel Advance Management:* As of the end of FY 1999, 98 percent of the Service's outstanding travel advance balances are related to permanent change of station and emergency travel advances.
- *Prompt Pay Interest Reduction:* During FY 1999, the National Park Service successfully continued in its efforts to meet the Department's late payment goal of less than five percent. The prompt pay interest reduction was attributable to the corrective actions taken by both the field offices and the Accounting Operations Center.
- *Expansion of Credit Card Usage:* During FY 1999, the National Park Service's usage of the Bank of America's Master Card for purchases, travel, and fleet costs increased by approximately 63 percent. The projected totals for the credit card transactions and dollars that the Service will process are 383,000 transactions for nearly \$76 million during FY 1999.

Financial System Integration and Development

- *Implementation of Federal Financial System Fixed Assets Subsystem:* The National Park Service successfully converted from the Department of Agriculture's Property Management System (PROP) to the Federal Financial System's Fixed Asset subsystem at the beginning of FY 1999. Prior to conversion, Servicewide Fixed Asset training was provided to 600 over employees responsible for property management. Custom reports were developed for the parks and central office as inventory and reconciliation tools.
- *Job Corps Accounting System:* The National Park Service converted the Job Corps accounting to the Federal Financial System on July 1, 1999.
- *Client/Server Based System:* During FY 1999, the Accounting Operations Center continued its efforts in development and implementation of a client/server system to replace multiple outdated financial systems. The new client/server AFS 3.0 system replaces the Administrative Financial System (AFSII), the Financial Reporting and Reconciliation System (FRRS), while providing the Service with Servicewide GPRA data and the Accounting Operations Center and program offices with an ad-hoc reporting tool.

Financial Management Training Program

The National Park Service, in partnership with Indiana University, continued developing a distance learning training curriculum for the financial management program. The following modules are now available to NPS employees via Internet:

- Budget Process
- Accounts Payable
- Accounts Receivable/Cash Management
- Payroll
- Travel
- AFSII/Commitment Control Register
- Year-End Closing

Each module contains a test to measure the trainee's knowledge and understanding of the respective subject matter.

During FY 2000, the Service plans to implement modules for the Federal Financial System, and a Miscellaneous Reports and Reconciliation Procedures.

U.S. Geological Survey (USGS)

Improving Financial Management Reporting

USGS supports the Department's goal of achieving and maintaining unqualified audit opinions on its financial statements. USGS has received unqualified opinions for the last three fiscal years' statements, and is positioning itself to continue this performance in the future. We also contribute to the Department's consolidated financial statements and Accountability Report by actively participating in the departmental financial statement guidance team, vigorously reconciling inter-departmental transactions, purchase of the Department's reporting software, and devoting personnel resources to contribute to the Department's report.

USGS made several improvements in pursuit of this goal. We are closing our accounts three weeks earlier than in past fiscal years to improve the timeliness of data. Real property transactions are more timely and personal property changes have been updated to comply with Federal Accounting Standards Advisory Board (FASAB) standards. Most of our internal reports have been updated to reflect the change to the standard general ledger and are also Year 2000 (Y2K) compliant.

Improving Financial Management Systems

Direct and Reimbursable Funding: Currently, USGS commingles direct and reimbursable funding and expenditures. USGS plans to improve this situation by reintegrating a software feature that allows us to account for each funding source separately. This change will improve the timeliness and accuracy of our reporting.

Oracle Reporting Database: The Y2K compliant version of the USGS accounting system software necessitated a change in USGS' ad hoc reporting capability. In response, USGS adapted a relational database to replace this lost functionality, as well as enhance users' access to their data. A new reporting tool to work in conjunction with this database has been purchased, users have been trained, and the database will be expanded to meet users needs.

Bureau Level Data Warehouse: The need for diverse bureauwide data is increasing as new demands are placed on managers. One proposed solution is a bureau level data warehouse to serve as the means for linking these data. The reporting database described above will be used as a springboard to implement a bureau level common database for financial and related data. A readiness review and definition of requirements is being performed with the goal of implementing a data warehouse for key financial management information across all USGS programs to facilitate quick, accurate responses to requests for data.

Grants Payments System: The Department of Health and Human Services' Payment Management System has been selected as USGS' grants payment system. Grantees have been sent information packets, grantee information is being registered on the system, and an automated interface to the accounting system is being developed. All USGS grantees should be using the Payment Management System by the end of FY 2000.

Financial Management Systems Migration: Financial management systems in the Department of the Interior are aging, were developed at different times using different technologies, do not seamlessly exchange data, and are becoming expensive to maintain and operate. The Department's Chief Financial Officers Council is sponsoring a comprehensive review of these systems with the goal of migrating to newer, compatible systems. USGS is actively participating in the Department's first stage of this migration, a three phase review of current financial management processes culminating in a budget strategy. USGS is participating in the migration steering committee, budget and accounting staff have led or participated on process review teams, and USGS Divisions have actively reviewed and commented on team products.

Implementing the Government Performance and Results Act (GPRA)

USGS developed its first GPRA strategic plan in September 1997, using it as the basis of the FY 1999 Annual Plan and Budget. OMB and congressionally mandated reviews of all agency plans led to recommendations to most agencies, including DOI, to streamline and clarify. USGS refocused its Strategic Plan as the basis for the FY 2000 Annual Plan and FY 1999 Operating Plan. A performance reporting system has been developed and is currently operational for tracking FY 1999 performance. USGS has also prepared a strategic management plan that lays out future strategies and quantitative goals for USGS customers, programs, people, and operations to underpin and guide implementation of the GPRA Strategic Plan. Under GPRA, the Strategic Plan is due for revision every three years, and USGS is on schedule to complete that revision in 2000. USGS actively participates with the Department in developing its measures for reporting in the Department's Accountability Report and will include these same measures in our annual financial report.

Developing Financial Human Resources

The USGS plans to implement an organization structure in the central finance office that is more closely aligned to both CFO Act and customer service needs. It will include the establishment of a position structure which clearly identifies career-ladder positions. USGS will also identify and provide training for employees to broaden their knowledges and skills and enable them to better serve the organization's needs. The accounting function will be strengthened by staffing existing vacancies and cross-training the employees in all responsibilities and tasks of the group.

The central finance office will also emphasize leadership for bureauwide financial management over the next five years. This includes efforts to improve customer satisfaction, a commitment to the provision of quality service, the implementation of innovative bureauwide financial support programs, systems, and processes, and the streamlining of existing ones.

Improving Asset Management

Treasury Reconciliations: Both the Office of Management and Budget (OMB) and the General Accounting Office (GAO) have reported that reconciling agency

accounts with the Department of the Treasury (Treasury) is one of the three most common financial management problems in the Federal government. While USGS has improved the reconciliation of our accounts, the bureau will be devoting additional resources to this effort to get current with Treasury.

Property Accounting: USGS has made improvements in property accounting by recently raising the capitalization threshold for real and personal property and improving the timeliness of recording these transactions. USGS integrated its personal property and accounting records in FY 1996, and its property accountability records and general ledger balances are reconciled. The capitalization threshold for personal property was recently raised to \$15,000, although the accountability threshold remains unchanged. Finally, USGS' procedures for valuing property acquired from excess have also been updated to comply with FASAB standards.

Accounts Receivable: Management of delinquent accounts receivable was another area mentioned by OMB and GAO as a financial management problem area across the Federal government. Senior USGS management is actively engaged in improving the bureau's accounts receivable portfolio, and USGS has increased the accountability and involvement of local managers in collecting debt. USGS delinquent debt has decreased 37 percent in the last three years. USGS now routinely refers all eligible delinquent debt to Treasury for collection action.

Improving Management Accountability and Control

Standard General Ledger (SGL): The governmentwide standard general ledger was developed by Treasury to improve the timeliness and compatibility of financial management data. USGS implemented the governmentwide SGL in FY 1999. USGS now records all accounting events at the transaction level rather than at the summary level.

Audit Resolution: Resolution of audit findings continues to be a USGS priority. USGS implemented 88 percent of all financial management audit findings more than one year old, and is actively working on findings and management letter issues from the current audit report.

Working Capital Fund (WCF) Improvements: The Office of Inspector General and USGS have cooperatively defined improved methods of accounting for equipment purchased for the WCF. Procedures and general ledger postings have been changed to reflect these improvements. In addition, USGS published an updated WCF handbook and is devoting more resources to managing the WCF.

Modernizing Payments

Electronic Funds Transfer Implementation: USGS completed implementation of the electronic funds transfer (EFT) portion of the Debt Collection Improvement Act (DCIA) in FY 1999. Systemic changes were made to increase compliance with this portion of the Act and procedures put in place (including a waiver process) to ease implementation. As of 6/30/99, 99 percent of all employees' salary payments were made electronically. In addition, 88 percent of all other USGS payments were

made electronically, up from 38 percent of payments at the end of FY 1998. The taxpayer identification number (TIN) provisions of the DCIA were implemented simultaneously; 95 percent of all USGS non-salary payments at 6/30/99 included a TIN.

Bankcard: The Federal government implemented a new and enhanced bankcard during FY 1999. The Department selected the Bank of America Master Card for use by all Interior bureaus. Problems with the bankcard have been rampant, requiring enormous expenditures of resources on approving, tracking, and reconciling bankcard transactions. These problems are expected to diminish in the next two fiscal years.

Imprest Funds: USGS is closing nearly all of our imprest funds as part of its implementation of the DCIA. Alternative payment mechanisms are being used, primarily the Bankcard. As of 7/31/99, USGS has closed 80 of our 104 imprest funds.

Prompt Payment: Senior USGS management committed to making payments more timely, and that commitment resulted in dramatic improvements in USGS' on-time payments. As of 7/31/99, almost 98 percent of our payments were made on-time, a significant increase from our traditional average of about 95 percent.

Electronic Commerce: USGS is participating with DOI's National Business Center to make electronic commerce a reality. At its best, electronic commerce will permit paperless transactions to occur between USGS and our vendors.

Contract Payments: These type of payments will be paid via remote data entry, streamlining the payment process and placing the function closer to the point of origination. Contract payments will join most other commercial payments as being made at our distributed office sites.

Procurement Interface: Procurement actions are being input to our accounting system via an automated interface, eliminating duplicate data entry and freeing staff resources. An enhancement allowing the obligating of property items is under development.

Bureau of Indian Affairs (BIA)

Imprest Fund Reductions: In compliance with the Debt Collection Improvement Act of 1996, the BIA, with the exception of one centrally located Law Enforcement fund, has been working effectively to close imprest funds across the BIA. Offices are increasing usage of convenience checks, the charge card is being utilized more frequently and efficiently to make small purchases, and increased ATM charge card usage has all but replaced travel advances through imprest cash.

Collection and Billing System: During 1999, the BIA continued transferring eligible debt to the Department of Treasury for cross-servicing. The BIA has been aggressively working to implement and complete an automated interface between the Treasury and BIA financial systems. It is expected that approximately 3,700 debts totaling \$2.3 million will be transferred. Once this is accomplished, the BIA plans to begin automatic transfers on a monthly basis; this will greatly reducing the tremendous amount of manhours spent manually completing this process.

Electronic Funds Transfer: The BIA has expanded its efforts to increase Electronic Fund Transfer (EFT) payments to employees and vendors, culminating in increased participation by vendors and BIA employees. In addition, during 1999, the BIA has been working with the U.S. Treasury to implement the Payment Advice Internet Delivery (PAID) system. Effective October 1, 1999, the BIA will go live with PAID which is an immediate Internet source that vendors will be able to access and identify payments being deposited to their accounts by EFT. Lack of payment information has been the biggest deterrent in getting vendors to participate in EFT. Further increases in EFT participation are expected from vendors once PAID is implemented.

Prompt Pay Interest Reduction: In 1999, the BIA has accomplished its greatest improvement in reducing the percentage of prompt pay penalties. Since October 1, 1998, the BIA's overall percentage rate has decreased to nine percent. The BIA has also completed Remote Data Entry (RDE) implementation at all 12 Regional Office locations. In addition, the BIA has implemented a RDE pilot program at four education facilities. This will assist in increasing the percentage of invoices paid timely.

Interagency Agreement Process: In 1999, the BIA streamlined its efforts to improve the interagency agreement (IA) process for reimbursement with other Federal agencies through clarification and definition of the types of agreements and consolidation of major IAs through headquarters for development and approval.

Departmental Workgroups: The BIA continues to participate in the Department's efforts to develop a plan and strategy for the acquisition and implementation of a new financial management system within the next decade.

Management Reports: Monthly management reports were initiated in FY 1999 to provide feedback to managers on various administrative areas, including prompt pay, property management, undelivered orders, Electronic Fund Transfers, and Status of Obligations.

Undelivered Orders: Since December 1998, the BIA has made major improvements in the amount of Undelivered Orders (UDOs). UDOs have decreased 50 percent from the December level of \$111.6 million to \$55.3 million. Efforts are ongoing to continue to reduce UDOs on a nationwide basis.

Policies and Procedures: To assist in streamlining and clarifying existing policies and procedures, the BIA has published its Administrative Handbook outlining current policy and procedures for administrative areas. Some of these areas include property management, construction in progress, debt management, contract retainage, and travel.

638 Manual: The BIA, in conjunction with the Department of Health and Human Services' Indian Health Service, has published a manual on internal agency procedures for non-construction contracting under P.L. 93-638, as amended (Title I, Indian Self Determination and Education Assistance Act). This publication will help to ensure that agencies under the Department of the Interior and the Department of Health and Human Services adhere to the same procedures to facilitate and enhance contracting with Tribes and tribal organizations. This will assist BIA's financial reporting in areas such as contract monitoring, contract closeout, and the Federal payment process.

Credit Card Usage: In 1999, the BIA began implementation in the change of policy with regards to increased usage of the credit card to cover obligations previously required to have purchase orders (e.g., Federal Express, Government Printing Office printing, and service contracts). The BIA has also increased participation by BIA employees in use of the NationsBank card. Under the former IMPAC Charge Card program, the BIA had 1,096 cardholders with purchase authority. As of August 1999, the BIA had a total of 1,171 cardholders under the NationsBank program with purchase authority, an increase of 6.5 percent increase over the former program. Those with purchase authority represent 28 percent of the total number of BIA cardholders.

Interior Department Electronic Acquisition System (IDEAS): In FY 1999, the BIA completed installation of the IDEAS software at all of its major acquisition offices (12 Region and Central Offices). The BIA has also completed a "Train the Trainer" program for five Functional Systems Administrators to provide basic training to the BIA's requisitioning staff. These individuals will also be responsible for training any additional sites below the Regional Office level. The installation of the IDEAS software in the BIA's small procurement sites will proceed in support of the Office of Indian Education Programs and other Agency Office support, as determined by the Regional Offices. Continued implementation below the regional level will be carried out in 2000 and 2001 based on regional decisions. The BIA has also activated the "switch" within IDEAS which will require the completion of the required reporting form prior to the release or issuance of a contract award. This action will facilitate improvements in the BIA's reporting of contract awards. In addition, the BIA is continuing its testing of interfacing IDEAS with the Federal Financial System (FFS). The BIA is hopeful that in FY 2000, it will be able to obligate awards in the FFS at the time of the award. This will greatly assist in obligation of funds in a more timely manner as well as overall reporting of contract awards.

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