

## **CHAPTER IV. IMPROVING FINANCIAL MANAGEMENT REPORTING AND IMPLEMENTING THE GPRA**

### **Background**

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 CFO Act requires that agencies' trust funds, revolving funds, and substantial commercial activities be covered by audited financial statements. In addition, the Government Management Reform Act (GMRA) required agencies to prepare annual agency-wide financial statements beginning with FY 1996.

The Department's goals are to receive unqualified audit opinions for all bureau financial statements and the consolidated Department 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. The Department's financial reporting strategy is to have each bureau continue as a reporting entity for purpose of preparation of CFO Act financial reports. The preparation of the Department's consolidated financial statements will be based on the bureau-level audited financial data.

The Department believes that there are significant and long-term benefits of bureau-wide statements, including usefulness to users and verification of financial and cost accounting data used by management. First, the audit of financial information ensures the availability of reliable cost and financial information necessary to support the implementation of the GPRA. Second, the quality of financial information available to management increases as financial systems, accounts and information are scrutinized and refined. Third, the annual reports serve as the vehicle for bureau reporting under GPRA as well as providing a clear and concise summary of the overall operations, accomplishments and concerns of each of the Department's operating components. Finally, long-standing operational problems have been highlighted by the financial statement process and subsequently corrected. Improvements to date directly attributed to financial statement audits have covered areas such as inventory management and collection of accounts receivable by working capital funds.

The CFO Act also requires that the Departmental CFO "maintain an integrated accounting and financial management system, including reporting and internal controls, which ...provides for...the systematic measurement of performance." The passage of the Government Performance and Results Act (GPRA) necessitates that Federal agencies effectively plan, budget, execute, evaluate, and account for resources appropriated to Federal programs. The Congress, the Administration, and taxpayers want greater accountability in the management and operation of Federal programs. The GPRA is a driving force toward establishing a "performance-based infrastructure" within the Federal government. The

Department is committed to taking the appropriate steps to comply with GPRA requirements, in coordination with efforts to comply with the CFO Act and GMRA requirements.

## **Improving Financial Management Reporting**

The Department's goals are to be able to prepare bureau and consolidated financial statements that receive unqualified audit opinions, and make financial management information accessible throughout the year.

### **Recent Accomplishments**

- Prepared and audited FY 1996 financial statements for the ten bureaus and operating components, and received nine unqualified audit opinions, indicating that the financial information presented was fairly stated in all material respects. Only the Bureau of Indian Affairs received a qualified opinion. All bureaus and operating components continue to demonstrate significant progress in improving the quality of financial data and financial statement presentation. *Exhibit IV-1* presents a summary of the Department's accomplishments in the areas of financial statement preparation and audits.
- Prepared and audited FY 1996 Consolidated Financial Statements for the Department, and received a qualified audit opinion.
- Prepared the Department's first Accountability Report under an OMB-sponsored pilot program. OMB has been encouraging agencies to join a pilot effort authorized by the GMRA to streamline reporting through consolidating various reporting requirements into an annual accountability report. The Department volunteered and was approved to participate in the pilot Accountability Report program for FY 1996. The report integrates the multiple financial management and performance measurement requirements of the CFO Act, GPRA, GMRA, FMFIA, and NPR into a comprehensive process. The Department's first Accountability Report encompassed FY 1996 consolidated financial information, as well as a variety of other information which demonstrates the Department's stewardship over the assets, missions and responsibilities entrusted to it.

### **Planned Actions for 1998**

- Continue to 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
- Begin preparation of quarterly financial statements for bureaus and operating components.
- Expand the amount of segment and program information presented in the Accountability Report, including both financial and GPRA performance information.

**U.S. Department of the Interior  
Financial Statement Preparation and Audit Results**

	<b>FY 1990</b>	<b>FY 1991</b>	<b>FY 1992</b>	<b>FY 1993</b>	<b>FY 1994</b>	<b>FY 1995</b>	<b>FY 1996</b>
Consolidated Department					(F/S prepared but not audited)	Qualified	Qualified
Fish and Wildlife Service		(F/S prepared but not audited)	Qualified	Qualified	Qualified	Unqualified	Unqualified
Geological Survey		(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Qualified	Unqualified
Bureau of Indian Affairs		(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Qualified	Qualified
Bureau of Land Mgt		Disclaimer	Qualified	Qualified	Qualified	Unqualified	Unqualified
Minerals Management Service		Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Bureau of Mines		(F/S prepared but not audited)	Unqualified	Unqualified	Unqualified	Unqualified	(Bureau eliminated)
Nat'l Biological Service (est. Nov 1993)					Unqualified	Unqualified	(Bureau merged with USGS)
National Park Service		(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Unqualified	Unqualified
Bureau of Reclamation		Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified
Office of Surface Mining	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Office of the Secretary		(F/S prepared but not audited)	Qualified	Qualified	Qualified	Unqualified	Unqualified
Office of Territories & Internat'l Affairs		(F/S prepared but not audited)	(F/S prepared but not audited)	Unqualified	Unqualified	Unqualified	Unqualified

**Exhibit IV-1**

- 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. The Department will investigate approaches for improving support to the audit process to ensure that the benefits achieved to date will continue in the future.

### **Planned Actions for 1999 and Beyond**

- Continue to improve the quality and timeliness of financial reporting.
- Begin preparation of monthly financial statements for bureaus and operating components.
- Continue to prepare and audit annual financial statements for all reporting entities, including bureaus and Department consolidated financial statements.
- Achieve unqualified audit opinions on all bureau and operating component financial statements, as well as the Department consolidated financial statements.

## **Implementing the GPRA**

The GPRA requires agencies to develop strategic plans that elaborate the mission, outcomes and results that the agency programs are dedicated to achieving. 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, and is creating the performance measurement framework envisioned by the Act.

### **Recent Accomplishments**

- The Department and its bureaus developed strategic plans with performance goals and performance measures. The plans were reviewed and developed in consultation with stakeholders, OMB and the Congress, and have been made available electronically to the public through the Internet. Completed plans will be submitted to OMB and Congress by September 30, 1997. Annual performance plans will be prepared and submitted with the FY 1999 budget request. The plans are expected to fully meet the requirements of the GPRA.
- The Department is evaluating the data required to support the GPRA plans and examining alternatives for reporting performance information. This information will form the basis for performance reporting required to meet GPRA requirements.

**Planned Actions for 1998**

- Prepare and submit the annual performance plan with the FY 2000 budget submission.
- Evaluate data and reporting requirements, and improve the Department's capacity to collect, report and verify consolidated performance measurement data.

**Planned Actions for 1999 and Beyond**

- Update the Department and individual bureau strategic plans.
- Prepare and submit the annual performance plan with the annual budget submission.