

## **CHAPTER V. ENSURING MANAGEMENT ACCOUNTABILITY AND CONTROL**

### **Background**

The Department believes that by maintaining integrity and accountability in all programs and operations, it can promote good government, responsible leadership, sound management in the delivery of services to customers, and achieve desired program outcomes. As a result, 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 has developed and implemented an effective audit follow-up program which ensures that audit recommendations are addressed and implemented in a timely manner to maximize the efficiency and effectiveness of programs and operations, and that disallowed costs and other funds owed the Government are collected and or offset when due.

### **Management Controls**

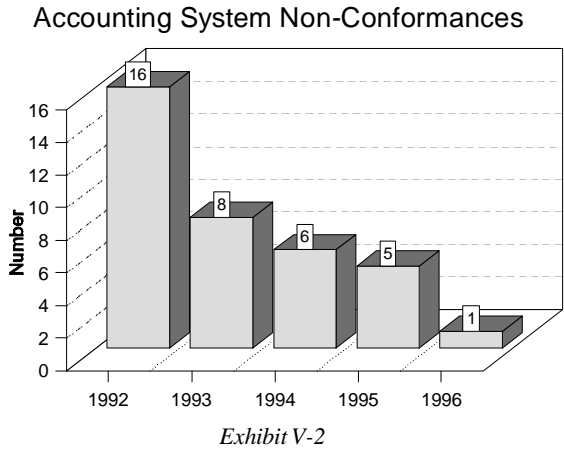
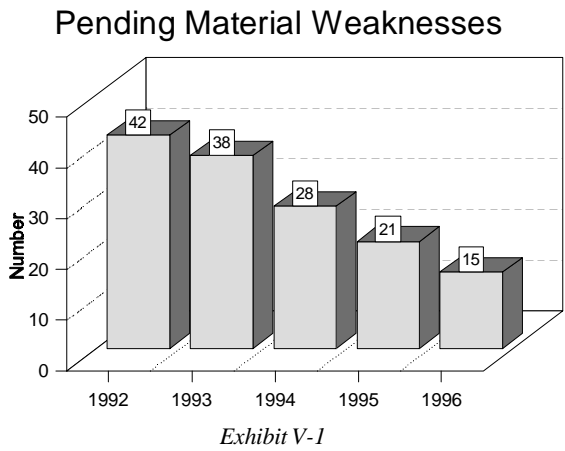
The Department's goal is to ensure that a sound system of management controls exists in all programs, organizations and functions that meets the requirements and intent of OMB Circular A-123, and to implement an approach to assessing management controls that integrates other management improvement initiatives.

### **Recent Accomplishments**

#### **Corrected Material Weaknesses and Accounting System Non-Conformances**

The Department has continually evaluated the effectiveness of the management controls in its programs, organizations and functions in accordance with OMB guidelines. Over the years, the Department has identified and reported 159 material weaknesses and 64 accounting system non-conformances. The Department has corrected 144 of the total reported material weaknesses (90.6 percent) and 63 accounting system non-conformances (98.4 percent). Much of the progress in these areas was recently achieved as noted in

**Exhibits V-1 and V-2.** During the last fiscal year, the total number of reported material weaknesses was reduced by 29 percent (from 21 to 15) and the total number of accounting system non-conformances was reduced by 80 percent (from 5 to 1).



Identified Mission Critical Weaknesses and Accelerated Corrective Action Plans

In response to OMB guidance, the Department identified 7 of its 15 pending material weaknesses at the end of FY 1996 as “**mission critical weaknesses**” -- those material weaknesses that prevent the Department from fulfilling a programmatic mission or strategic goal, and that warrant senior management focus and attention, and resource priorities throughout to achieve timely corrective action. Collectively, the seven mission critical weaknesses facing the Department (*see Exhibit V-3*) could adversely impact the safety of employees and other citizens, damage the environment, prevent the collection and distribution of royalties and other funds owed to the Government and Native Americans, and preclude the identification, collection, and preservation of irreplaceable historical art and artifacts.

Mission Critical Material Weaknesses		
Title of Material Weakness	Bureau	Targeted Correction Date
Inadequate Management of Trust Funds	OST	TBD
Inadequate Records Management	BIA	FY 2000
Failure to Provide Effective Oversight of the Trans-Alaska Pipeline System	BLM	FY 1998
Inadequate Range Monitoring	BLM	FY 1998
Failure to Effectively Inspect and Enforce Fluids Minerals	BLM	FY 1997
Lack of Accountability and Control Over Artwork and Artifacts	PAM	FY 1999
Irrigation of Ineligible Land	BOR	FY 1999

*Exhibit V-3*

The Department recognizes the importance of correcting these mission critical weaknesses in a timely manner. Corrective action plans with key milestones, target dates, and accountable officials have been established and corrective action progress will be continu-

ously monitored by officials in each cognizant bureau or office. In addition, the semi-annual progress review meetings will be held with the staff of each cognizant bureau, the OIG and the Department's CFO.

### Re-Engineered the Approach to Management Control Assessments and Reporting

In March 1996, the Department initiated a Management Control Re-engineering Lab to identify new and less resource-intensive methods for assessing and reporting on the effectiveness of its management controls. As a result of benchmarking activities and other research, the Lab recommended the adoption of a new management control program model supported by a contemporary, fully-automated approach for targeting, conducting and reporting the results of management control assessments. The approach uses eight management integrity measures and a comprehensive questionnaire to assess management control effectiveness. The management integrity measures and comprehensive questionnaire were developed in the Lab and validated by a customer focus group. The assessment is accomplished using the E-Mail network, and a state-of-the-art analytical software tool. A unique feature of this new approach is that it provides for the identification of areas of both potential material deficiencies and best practices.

The approach was pilot tested in one bureau during 1997, and the results exceeded expectations. Compared to a traditional management control assessment of the pilot program the preceding year, the new approach saved over 100 staff days in planning, conducting, processing and reporting the results of the assessment; avoided over \$10,000 in travel costs; and, identified one area of potential material weakness and one area of best practice which were not previously detected. To further validate the efficiency and effectiveness of the new approach, additional pilot tests will be conducted in all other bureaus during FY 1998.

### Streamlined and Strengthened the Management Control Program

Similarly, over the last four years, the Department has made great strides in streamlining and strengthening its management control program. The initiatives and innovations in this program area supported the recommendations in the National Performance Review, and the direction and intent of the June 1995 revision to OMB Circular A-123, Management Accountability and Control. Some of the more significant initiatives included:

- Expanding the membership in the Departmental Management Control Audit Follow-up Council (MCAF) to provide a more "Departmental perspective" to Council deliberations and decisions;
- Implementing the recommendations of the Department's Management Control Re-engineering Lab thereby empowering bureaus to plan, conduct and report the results of management control reviews, and decreasing the frequency of periodic status reporting and monitoring;

- Amending the Department's material weakness criteria to be consistent with the intent of revision to OMB Circular A-123; and
- Developing and implementing a Material Weakness Corrective Action Project Management Training Program to improve the quality, timeliness and effectiveness of corrective actions..

The cumulative effect of these initiatives has been a 50 percent reduction in burden and improved efficiency and effectiveness in administering bureau and office management control programs.

### Consolidated FMFIA and Semi-Annual Reporting on Audit Followup

The Department was approved by OMB to participate in Accountability Report Pilot Program beginning in FY 1996. The pilot program allows agencies to merge several financial management statutory reports into a single Accountability Report in order to streamline reporting, save staff time and provide better information to the President and Congress. All of the information previously reported in the Secretary's FMFIA Annual Report and the Secretary's Semi-Annual Report on Audit Followup were condensed into the Supplemental Information Section of the Department's first Accountability Report resulting in six pages of concise narrative and statistical data fulfilling the statutory requirements. Initial feedback from reviewers and users of the report included specific comments on the quality and presentation of this data.

## **Audit Followup**

The Department's goals are to ensure that audit recommendations that are 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 timeframes.

### **Recent Accomplishments**

#### Completed Implementation of the Value Added Report Recommendations

Working in conjunction with the Office of the Inspector General (OIG), the Department completed implementation of the remaining recommendations from the Audit Followup Program Value Added Report. Specifically, actions were completed to expand the comment period for draft OIG audit reports from 30 to 45 days, and both draft and final audit reports are now being disseminated electronically to allow maximum time for consideration of draft report findings and recommendations, and to facilitate report distribution and reduce printing costs.

### Improved 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 Self Governance Compacts to State and local governments, Indian Tribes, colleges and universities and other non-profit organizations. Over 700 single audits are conducted of Department grantees each year. Single audit reports are forwarded to the OIG for review and where necessary, the audit reports are forwarded to the bureaus working with the grantees to resolve deficiencies identified in the audit reports, and to determine the allowability of any expenditure of Federal funds which have been questioned by the auditor. Single audit management decisions are expected to be agreed to within six months from receipt of the audit report. If an audit results in disallowed costs, bureaus are responsible for collecting the disallowed costs from the grantees. The Department made significant strides in reaching timely management decisions on single audits during recent years. Only eight single audits had management decisions which were not made within six months -- or about one percent of the total single audit reports received.

### Collected and Offset Disallowed Costs in Single Audits

The Department has made good progress in collecting and closing audits with disallowed costs. During the most recent fiscal year, 38 audits were closed (52 percent) and \$1.4 million in disallowed costs were collected (19 percent).

### 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 the most recent fiscal year. Of the 78 FBU audits pending during the that year, a total of 31 audits (40 percent) were closed. The audits closed involved \$8.5 million of FBU funds, or 13 percent of total FBU funds in pending audits.

### 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. Audits in this category have declined by approximately 60 percent (15 to 6 audits) since 1992. Those audits still pending involve recommendations with long-term and multi-faceted corrective actions, or require statutory changes.

### Improved Implementation Rate of GAO Audit Recommendations

General Accounting Office (GAO) audits are a major component of the Department's audit followup program workload. During the most recent fiscal year, 68 GAO audits

were initiated within the Department and resulted in 37 final audit reports. The final reports contained 17 recommendations of which 16 (or 94 percent) were implemented by the end of the year. The remaining recommendation involves an action that appears to be cost prohibitive.

### **Planned Actions for 1998**

- Complete corrective actions on 9 of 15 remaining material weaknesses.
- Develop a Management Control Automated Assessment Advisory and Support Team within the Department to assist bureaus in planning and conducting management control pilot tests using the new automated assessment approach.
- Ensure pilot tests using the new automated management control assessment approach are conducted in at least one program area in each bureau.
- Continue to improve on the rate of implementing timely management decisions, collecting disallowed costs and closing internal, single and GAO audits.
- Develop an annual internal audit followup report which provides management with appropriate status and performance information, while also providing links to and support for the supplemental information section of the Department's Accountability Report.

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

- Complete corrective action on all pending material weaknesses and accounting system non-conformances, and ensure that other material weaknesses are promptly identified, reported to senior management and corrected.
- Pending the outcome of pilot tests of the new automated management control assessment approach in all bureaus, develop and implement in conjunction with the Department's Administrative Service Centers a plan for providing technical guidance and support to other Federal agencies interested in using the new automated management control assessment approach.
- Work with Department and bureau GPRA staff in a pilot effort to identify appropriate performance measures of management control effectiveness in program and administrative areas, and validate such measures with the results of actual management control reviews and assessments.
- Develop a strategy for consolidating Department audit followup data bases and an effective means for disseminating all pertinent information related to audit activity within the Department.