
EXECUTIVE SUMMARY

The Department has adopted the following updated financial management vision developed by the Office of Management and Budget (OMB) and the Government-wide Chief Financial Officer (CFO) Council in 1997.

“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.”

The Department has developed goals and initiatives for its Financial Management Strategic Plan that are consistent with the Federal Financial Management Vision and its related goals, strategies and priorities. The Department has focused its initiatives in four areas -- (1) implementing an effective CFO organization structure; (2) streamlining and re-engineering programs, operations and business processes; (3) improving financial systems, reporting and accountability; and (4) improving customer service.

The Department, like other Federal agencies, has expended considerable resources in rethinking the way it conducts its business; 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. All of the initiatives in these areas have been, and will continue to be, supportive of the Chief Financial Officers Act of 1990, the Government Performance and Results Act (GPR) of 1993, the Government Management Reform Act (GMRA) of 1994, and the Federal Acquisition Streamlining Act of 1994.

Implementing An Effective CFO Organization

Since the passage of the CFO Act, the Department has developed and implemented a sound CFO organization structure that is capable of successfully meeting the current and future challenges in Federal financial management. Among other significant accomplishments in this area, the Department has:

- Appointed a highly qualified and experienced Departmental CFO and Deputy CFO;
- Appointed CFOs and Deputy CFOs in all bureaus;
- Established a Departmental CFO Council to address emerging financial management issues; and,
- Established the Finance Officers’ Partnership (FOP) to develop and implement management action plans to provide high quality, cost-effective financial information and services, and continually improve financial management within the Department.

Streamlining and Re-engineering Programs, Operations and Business Processes

The Department has made significant progress over the last several years in changing business practices and finding more cost-effective and productive financial management processes. The Department is using the tools of performance management, re-engineering and organizational streamlining to improve programs and organizations, operate more efficiently, and provide better service to customers.

The Department has an aggressive re-engineering laboratory program in place. This program has resulted in numerous improvements to organizations and various work processes throughout the Department. As a result, several Labs have been selected as recipients of Vice President Gore's prestigious "**Hammer Award**". In this area, the Department has:

- Benchmarked its financial management functions and processes in 1993 and 1996. These efforts systematically identified accounting and financial processes and procedures that could be standardized, improved, or eliminated to improve customer service and reduce cost; and led to plans for adopting the most effective practices and processes being deployed in private industry and other Federal agencies.
- Improved Business Practices and strengthened asset and debt management programs by increasing electronic fund transfers; increasing the use of debt offset programs; improving policy and procedure communications to the Department's geographically dispersed workforce through an Internet home page; and initiating a Departmental Reinvention Labs for the travel process.
- Streamlined management controls and processes in response to the recommendations in the National Performance Review; and the new direction provided by OMB Circular A-123, Management Accountability and Control. Pilot tested in one bureau a new and less resource intensive approach to assessing management control effectiveness. Pilot testing resulted in significant productivity and cost-savings from the new approach. Additional pilots will be conducted in all bureaus during the next fiscal year.

Improving Financial Systems, Reporting and Accountability

The Department has made great strides in strengthening and enhancing financial systems, preparing and auditing annual financial statements, and improving management controls and accountability over the last several years. The Department has also worked collaboratively with the Congress, OMB and others in pursuing innovative strategies to meet the challenges, expectations, and requirements created by the GPRA Act. The Department is pursuing improved accountability by cascading performance goals throughout the organization and tying them to individual performance plans and agreements. The Department is also gathering performance data that will form a baseline for implementing the GPRA in 1999. Over the last several years, we have:

- Developed a strategic plan for the Department and each bureau.
- Established preliminary program and financial performance measures in all bureaus in conjunction with OMB staff, and preliminary strategic plans in bureaus.
- Established a Data Stewardship function which includes a multi-year data integrity improvement program intended to ensure that financial information conforms to the highest possible standards of consistency and verifiability in the foreseeable future, and the formation of a Standard Accounting Classification Advisory Team to coordinate activities related to standardization of Departmental financial classifications.
- Improved Financial Management Systems by successfully implementing a single, integrated core accounting system in six of the Department's bureaus incorporating over 95 percent of all accounting transactions (the remaining three bureaus operate a virtual single accounting system and have formed a tri-bureau partnership to share resources in support of the system and to assure continuity of development and operations); acquiring an off-the-shelf procurement system, and implemented the system at approximately 85 purchasing sites; nearing completion of the development of a fully integrated, modern personnel/payroll system with the first bureaus scheduled for implementation in September, 1997; and establishing the IDEAS Software Advisory Board to coordinate software activities associated with the acquisition system.
- Improved Financial Management Reporting by preparing and auditing annual financial statements for all bureaus for FY 1996 (10 unqualified and 1 qualified audit opinions) and preparing and auditing Interior's first Accountability Report which included the consolidated FY 1996 Department financial statements (received a qualified opinion).

Improving Customer Service

The Department is committed to providing the best possible service to customers, partners, and stakeholders. Over the last several years, bureaus and offices have developed customer service plans, established standards of service, and conducted customer surveys. The Department is using partnerships and new technology to improve customer service and operate more efficiently. During this time the Department has:

- Strengthened collaborative working relationships throughout the Department by continuing to build strong working relationships with bureaus through (a) the Department CFO Council - formed to advise and assist the Departmental CFO in establishing and carrying out effective Department-wide financial management policies and management controls; (b) the Finance Officers' Partnership (FOP) - 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 at the bureau level; (c) the Software Advisory Board (SAB) - established to provide analytical and technical support to the FOP in the areas of FFS software design, development, and implementation; and (d) the Standard Accounting Classification Advisory Team (SACAT) - established to coordinate a common approach among

the bureaus for addressing accounting classification issues.

- Improved communication about financial policies and services by preparing a Departmental Accounting Manual to replace existing bureau accounting manuals, and establishing a home page on the Internet for the Office of Financial Management. The home page provides policy directives, semi-annual and annual reports, training courses, and status reports on current reinvention efforts to internal and external interested parties.
- Provided Accounting Utility Services to bureaus of the Department and similar services to non-Interior customers through the Administrative Service Centers (Denver, Colorado and Reston, Virginia), the Interior Service Center and the Interior Franchise Fund; and improved oversight over these operations by establishing an Administrative Services Advisory Board.

Strategy for the Future

The Department's focus and priorities to improve financial management over the next 5 years are described in the following chapters. They include:

- Improving and upgrading financial systems and making effective use of emerging technology;
- Improving financial management reporting and implementing the GPRA;
- Ensuring management accountability and control;
- Modernizing business practices and payment processes;
- Ensuring financial data stewardship;
- Strengthening financial management human resources; and,
- Seeking franchising opportunities.

The Department is committed to integrating its program management functions with financial management functions, and playing a leadership role and making considerable contributions to the development and implementation of government-wide financial policies and programs in meeting the objectives of the NPR and GPRA.

We are proud of our accomplishments to date, many of which are highlighted within this report. In addition, the Department has a number of initiatives underway, or which will soon commence, that employ new and contemporary approaches to effective resource planning and utilization, and delivery of essential financial services to customers in a cost-effective manner. These initiatives should improve the efficiency and effectiveness of financial systems and accounting processes, and empower, motivate and better support our financial management workforce.