

## **CHAPTER 7 - ENSURING MANAGEMENT ACCOUNTABILITY AND CONTROL**

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.
- 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.

#### ***Provided Reasonable Assurance Objectives Were Met***

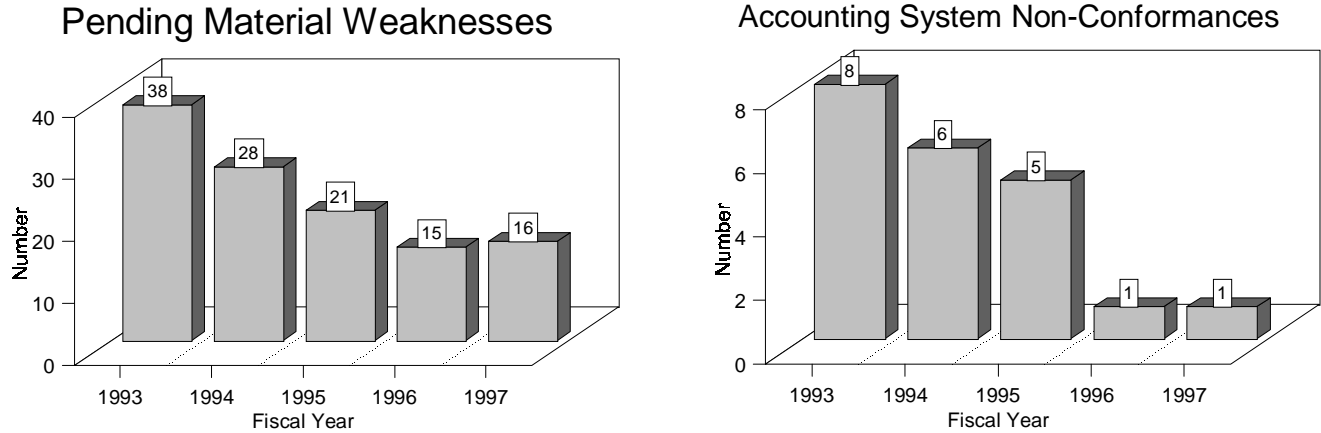
For FY 1997, Secretary Babbitt was able to provide reasonable assurance to the President and the Congress that the Department's systems of management, accounting and administrative controls, taken as a whole, achieved the objectives of Section 2 of the FMFIA, and that its accounting and financial systems generally conformed with governmentwide standards and achieved the objectives of Section 4 of the FMFIA.

#### ***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 162 material weaknesses and 64 account-

ing system non-conformances. The Department has corrected 146 of the total reported material weaknesses (90 percent) and 63 accounting system non-conformances (98 percent). Much of the progress in these areas was recently achieved as noted in *Exhibit 7-1*.

*Exhibit 7-1*



**Identified Mission Critical Weaknesses and Accelerated Corrective Action Plans**

In response to OMB guidance, the Department identified 7 of its 16 pending material weaknesses at the end of FY 1997 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 7-2*) 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.

*Exhibit 7-2*

Mission Critical Material Weaknesses		
Title of Material Weakness	Bureau	Targeted Correction Date
Inadequate Management of Trust Funds	OST	FY 2003
Inadequate Records Management	BIA	FY 2000
Inadequate Range Monitoring	BLM	FY 2000
Failure to Effectively Inspect and Enforce Fluids Minerals	BLM	FY 1998
Lack of Accountability and Control Over Artwork and Artifacts	PAM	FY 1999
Irrigation of Ineligible Land	BOR	TBD
Needs Assessment and Cost of Constructing New Housing	NPS	FY 1999

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

### ***Pilot Tested the Automated Approach to Management Control Assessments***

In 1997, the Department's Management Control Re-engineering Lab recommended the adoption of a new management control program model supported by a contemporary, fully-automated approach for 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 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, the new automated approach saved over 90 percent of the staff days consumed in planning, conducting, processing and reporting the results of the assessment; avoided 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, 13 additional pilot tests were conducted in all other bureaus during FY 1998. Preliminary results of the 1998 pilot test program were consistent in all respects with the 1997 pilot test results.

### ***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 and pilot testing an automated approach to conducting and reporting management control assessments.
- Reducing the number of Department mandated management control reviews by 80 percent.

- Amending the Department's material weakness criteria to be consistent with the intent of revision to OMB Circular A-123.
- 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.

### **Accountability Report**

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, the Secretary's Semi-Annual Report on Audit Follow-up, CFO Act Annual Report, and Civil Monetary Penalties and Prompt Payment Act Reports were condensed into the Department's first Accountability Report resulting in concise narrative and statistical report which meets all statutory requirements. The Department was recognized for its excellence in preparing the 1996 Accountability Report and initial feedback from reviewers and users of the 1997 Accountability Report indicate it is superior in all respects to the first report.

### **Audit Followup**

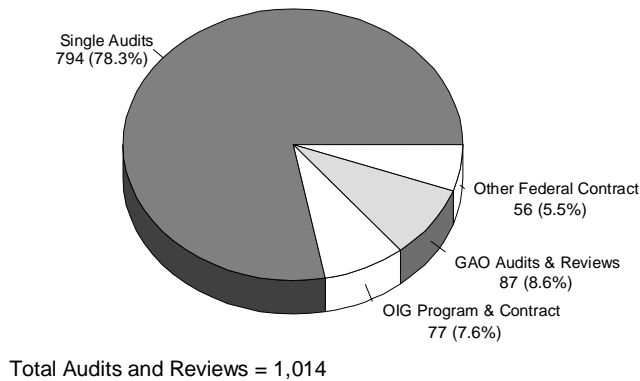
The Department's goals are to ensure that audit recommendations that are designed to improve the efficiency and cost-effectiveness of programs and operations are implemented in an expeditious manner, and that disallowed costs and other funds owed to the Department which are identified in audits are collected and or offset within reasonable or statutory timeframes. The Department's audit follow-up workload for the most recent fiscal year is shown in *Exhibit 7-3*.

### **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 800 single audits are conducted of Department grantees in 1997. Where necessary, single audit reports are forwarded to the OIG and 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. During 1997, the Department was successful in closing 75 percent of all single audits referred for action.

Exhibit 7-3

## Audit Workflow

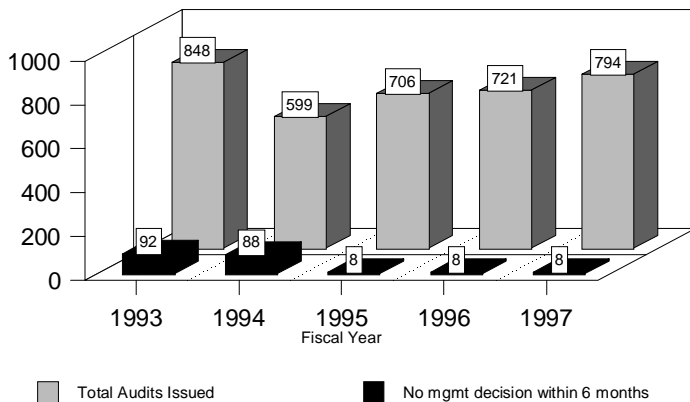


Single audit management decisions are expected to be agreed to within six months from receipt of the audit report. If an audit results in disallowed costs, bureaus are responsible for collecting the disallowed costs from the grantees. The Department made significant strides in reaching timely management decisions on single audits. In 1997, 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 (see Exhibit 7-4). Similar progress is expected for FY 1998.

Exhibit 7-4

## Single Audits Issued

With No Management Decision Within 6 Months



### 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, 24 audits were closed (60 percent) and \$1 million in disallowed costs were collected (56 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 70 FBU audits pending during that year, a total of 18 audits (25 percent) were closed. The audits closed involved \$2.2 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. Audits in this category have declined by approximately 67 percent (15 to 5 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, 87 GAO audits were initiated within the Department and resulted in 32 final audit reports. The final reports contained 24 recommendations of which 16 (or 67 percent) were implemented by the end of the year. The remaining recommendation involves an action that appears to be cost prohibitive.

**Planned Actions for 1999**

- Complete corrective actions on 5 of 12 remaining material weaknesses.
- Assist bureaus in implementing the new automated approach for conducting management control assessments.
- Continue to improve on the rate of implementing timely management decisions, collecting disallowed costs and closing internal, single and GAO audits.
- Develop and implement a single, integrated OIG/GAO audit data base to track planned and pending audit progress, and monitor and update progress in implementing audit recommendations.

***Planned Actions for 2000 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.
- Conduct in conjunction with the Department's Administrative Service Centers a feasibility study to provide technical guidance and support to other Federal agencies in using the new automated management control assessment approach.