

## CHAPTER 2. GOALS AND STRATEGIES

### Financial and Performance Management

The Department has established three primary strategic goals for the financial management program. These goals are: (1) ensure integrity in management functions; (2) provide efficient financial management operations; and (3) improve financial and performance reporting.

Each of these strategic goals is supported by performance measure(s).

*Strategic Goal 1 - Integrity: Strengthen the integrity of financial operations to ensure accuracy of financial data and management control over activities.*

#### **Performance Measure - Audit Opinions**

Interior places a high priority on preparing reliable financial information. Accordingly, the Department publishes annual financial statements for the Department and each of the bureaus. 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 the Office of Management and Budget, Congress, and the public of the integrity of the Department's external reporting.

Each year, the financial statement auditors issue: (1) an opinion on the financial statements; (2) a report on internal controls; and (3) a report on compliance with laws and regulations including the Federal Financial Management Improvement Act. Auditors classify financial statement opinions in one of three categories: disclaimer, qualified, or unqualified (clean).

*Performance Goal:* The Department's goal is to achieve and maintain: (1) unqualified audit opinions on the financial statements included in the Department's Annual Accountability Report as well as all financial statements prepared by Interior bureaus; (2) no material weaknesses in the report on internal controls; and (3) no disclosed instances of noncompliance in the report on compliance with laws and regulations.

*Performance Objectives:* By the end of the current fiscal year and every year thereafter, obtain unqualified (clean) audit opinions on 100 percent of annual financial statements including all eight bureaus, the Departmental Offices, and the Department's consolidated statements. By the end of FY 2005, have no reportable conditions on the Internal Control and Compliance with Laws and Regulations opinions for all eight bureaus, the Departmental Offices, and the Department.

In FY 2001, the Department and nine bureaus and offices received unqualified audit opinions. The financial statements for the U.S. Geological Survey received a disclaimer. The FY 2002 audited financial statement results are expected to be issued in February 2003 for all bureaus and offices.

## Audit Opinions

	FY 01 Actual	FY 02 Plan	FY 02 Actual	FY 03 Plan	FY 04 Plan	FY 05 Plan
Unqualified opinions on financial statements	9 of 10	10 of 10	N/A	10 of 10	10 of 10	10 of 10
No exceptions in report on internal controls (departmentwide)	1	6	N/A	4	2	0
No exceptions in compliance with laws and regulations (departmentwide)	1	3	N/A	2	1	0

***Performance Measure - Timely Correction of Federal Manager's Financial Integrity Act (FMFIA) Material Weaknesses and Implementation of Office of Inspector General (OIG) and U.S. General Accounting Office (GAO) Audit Recommendations***

A number of FMFIA program material weaknesses have been identified in annual management control self-assessments of bureau and office programs, organizations, and functions. Corrective Action Plans (CAPs) are developed and implemented by the bureaus and offices, and the Department monitors corrective action progress on a quarterly basis to ensure that the CAPs are completed by the original targeted completion date. In addition, audit recommendations reported by the OIG and GAO, and those reported by professional audit firms in single audits, are also monitored on a quarterly basis to ensure that implementation occurs in a timely manner.

*Performance Goal:* The Department's goal is to complete at least 75 percent of the CAPs for FMFIA material weaknesses disclosed in bureau and office management control self-assessments by the original planned targeted completion date. In addition, the Department also strives to implement at least 75 percent of the audit recommendations reported in the OIG audit program, operational and financial statement audits, single audits, and GAO audits within one year of the date of referral to the Department for tracking of implementation.

*Performance Objectives:* By the end of FY 2007, the Department intends to complete 100 percent of all material weaknesses CAPs by their original target date (compared to 80 percent actual expected to be achieved by the end of FY 2002). Additionally, the Department plans to implement 95 percent of all OIG and GAO audit recommendations within one year of referral (compared to 79 percent actual expected to be achieved by the end of FY 2002.)

The Department's FY 2002 objective with respect to audit recommendations was to implement within one year of referral for tracking of implementation 75 percent of the audit recommendations reported in OIG and GAO program and operational audits. Based on actual progress to date, and that expected by the end of FY 2002, this objective will be accomplished. A 77 percent composite implementation rate was achieved through the end of the fiscal third quarter, and a 79 percent composite implementation rate is projected to be achieved by the end of the fiscal year.

The Department's FY 2002 objective with respect to FMFIA material weaknesses was to complete CAPs for 75 percent of the pending material weaknesses carried over from FY

2001 with original targeted completion dates in FY 2002. Based on actual progress through the end of the third fiscal quarter, and that expected by the end of FY 2002, this objective should also be expected to be accomplished. An overall CAP completion rate of 80 percent is expected to be achieved. Eight of the ten (80 percent) CAPs targeted for completion in FY 2002 have been or are expected to be completed by the end of FY 2002. The timely completion of the CAPs for the other two FMFIA material weakness targeted for completion in FY 2002 were adversely impacted by the Internet and Bureau of Indian Affairs systems shutdown ordered by the Court and the revision of the Indian Trust Fund strategy and related High Level Implementation Plan.

#### Completion of Material Weakness CAPs and Implementation of Audit Recommendations

	<b>FY 01 Actual</b>	<b>FY 02 Plan</b>	<b>FY 02 Actual (estimated)</b>	<b>FY 03 Plan</b>	<b>FY 04 Plan</b>	<b>FY 05 Plan</b>
Implementation of audit recommendations	63%	75%	79%	80%	85%	90%
Completion of material weakness CAPs	50%	75%	80%	80%	90%	100%

*Strategic Goal 2 - Efficiency: Optimize financial management operations to increase customer satisfaction and decrease costs to the Department.*

#### **Performance Measure - Prompt Pay**

The Prompt Payment Act requires that payments be made within 30 days of receipt of invoice; otherwise, the federal government is required to pay interest. Performance is measured by the number of payments without interest penalties to the total number of payments subject to the Act. Over the past several years, the number of payments subject to the Act has shown a steady decline. This decrease is primarily attributable to Interior's increased use of the governmentwide purchase charge card.

*Performance Goal:* The Department's goal is to pay 97 percent of its invoices without late payment interest penalties.

*Performance Objective:* By the end of the current fiscal year and every year thereafter, each bureau will maintain a percentage of 97 percent or better for payments not requiring interest penalties.

As of June 30, 2002, Interior's percentage of payments not requiring interest penalties was 97.5 percent, exceeding the annual target. The Department expects this payment rate to continue as a result of using new technologies and best practices.

#### Prompt Pay

	<b>FY 01 Actual</b>	<b>FY 02 Plan</b>	<b>FY 02 Actual (6/30/02)</b>	<b>FY 03 Plan</b>	<b>FY 04 Plan</b>	<b>FY 05 Plan</b>
Percent of payments not requiring interest penalties	97.9%	97%	97.5%	97%	97%	97%

**Performance Measure - Use of Electronic Funds Transfer (EFT)**

The Debt Collection Improvement Act of 1996 (DCIA) requires that all payments be made by EFT unless covered by waiver.

*Performance Goal:* The Department's goal is to use EFT, including charge cards, to the maximum extent possible except for those payments covered by waiver.

*Performance Objective:* By the end of the current fiscal year, the Department will process 98 percent of salary payments, 80 percent of vendor payments, 92 percent of miscellaneous payments by EFT, and 93 percent of purchases of \$25,000 or less via a charge card.

To achieve the stated objectives, the Department has increased the use of the governmentwide purchase charge card, minimized the use of imprest funds and third party drafts, and required new vendors and employees to enroll for EFT payments. Also, the Department is investigating the use of the Central Contractor Registry to facilitate vendor enrollment for EFT.

## Electronic Funds Transfer

	<b>FY 01 Actual</b>	<b>FY 02 Plan</b>	<b>FY 01 Actual (6/30/02)</b>	<b>FY 03 Plan</b>	<b>FY 04 Plan</b>	<b>FY 05 Plan</b>
Salary	98.6%	98.0%	98.7%	98.0%	98.0%	98.0%
Vendor	80.6%	80.0%	84.5%	80.0%	80.0%	80.0%
Miscellaneous	92.8%	92.0%	93.5%	92.0%	92.0%	92.0%
Charge Card (\$25,000 or less)	95.5%	93.0%	95.0%	93.0%	94.0%	95.0%

**Performance Measure - Referral of Eligible Debt**

The Debt Collection Improvement Act of 1996 (DCIA) requires agencies to refer eligible 180-day delinquent debt to Treasury for cross-servicing and, if necessary, offset action.

*Performance Goal:* Refer all eligible 180-day delinquent debt to Treasury.

*Performance Objective:* By the end of the current fiscal year, the objective is to achieve a 90 percent referral rate. The Bureau of Indian Affairs is nearing completion of an intensive effort to improve its debt performance. This effort, when completed, will greatly improve the percentage of referral of eligible debt to Treasury's Financial Management Service. However, Interior will not achieve the target due primarily to the Internet shutdown mandated by court order. Departmental resources were diverted to address shutdown issues.

## Referral of Eligible Debt

	<b>FY 01 Actual</b>	<b>FY 02 Plan</b>	<b>FY 02 Actual (6/30/02)</b>	<b>FY 03 Plan</b>	<b>FY 04 Plan</b>	<b>FY 05 Plan</b>
Percent of eligible debt referred to Treasury *	97%	90%	83%	93%	94%	95%

\* Eligible debt excludes amounts in litigation and amounts currently being considered by the agency for compromise.

### ***Performance Measure - Reduce SmartPay Program Employee Delinquent Accounts***

The Department seeks to reduce the number of charge cards that are delinquent for 60 days or more to one percent, exclusive of former employees, by FY 2005.

*Performance Goal:* The Department's goal is to reduce the amount of 60 days and older delinquent charge card accounts to below the commercial level of the total outstanding balance, exclusive of former employees.

*Performance Objective:* As of June 30, 2002, Interior's percentage of delinquent charge card accounts decreased from 4.6 percent to 4.4 percent. The Department has revised its targets to reflect the current environment and anticipates that improvement will continue. By the end of the FY 2005, the Department expects to achieve a level of one percent of the total outstanding balance, and continue at that level for each year thereafter.

SmartPay Delinquent Accounts

	<b>FY 01 Actual</b>	<b>FY 02 Plan</b>	<b>FY 02 Actual (6/30/02)</b>	<b>FY 03 Plan</b>	<b>FY 04 Plan</b>	<b>FY 05 Plan</b>
Percent of SmartPay Program Employee Delinquent Accounts (60 days or older)	4.6%	1.0%	4.4%	2.0%	1.5%	1.0%

### ***Performance Measure - Reduce Erroneous Payments***

OMB Circular A-11 defines "erroneous payments" as payments that should not have been made or were made for an incorrect amount. Although the Department is not one of the agencies identified in Section 57 of OMB Circular A-11, Interior makes financial assistance payments under a variety of programs and to vendors for goods and services. To better assess the Department's performance in the area of erroneous payments, Interior has established a goal for payments made to external parties associated with Interior's financial assistance programs and to establish pre-audit and post-audit programs related to employee or vendor payments to better monitor these activities.

*Performance Goal:* The Department's goal is to have no erroneous payments.

*Performance Objective:* The annual target is to maintain adequate controls over federal assistance payment processes to ensure that any erroneous payments are below .05 percent of the program as measured by audit disallowances and that 60 percent of the disallowances are returned to the government. Based on available information, the Department expects to achieve its goal. To further enhance the program, the Department will expand pre-audit and post-audit programs by establishing additional programs to cover employee and vendor payments.

## Erroneous Payments

	<b>FY 01 Actual</b>	<b>FY 02 Plan</b>	<b>FY 02 Actual (estimate)</b>	<b>FY 03 Plan</b>	<b>FY 04 Plan</b>	<b>FY 05 Plan</b>
Federal Assistance – Percent of Audit Disallowances	.02%	.07%	.03%	.06%	.06%	.06%
Federal Assistance – Percent of Disallowances Returned to Government	13%	35%	65%	45%	45%	45%
Number of Pre-Audit Programs	1	1	1	2	2	2
Number of Post-Audit Programs	0	0	1	1	2	2

*Strategic 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 (GPRA).*

**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 supporting management decisions. Combining cost data with performance data further enhances the reporting of information to managers.

*Performance Goal:* The Department's objective is to increase the reporting of performance information in Interior's Accountability Report and in bureau-level reports, improve the reporting of cost information in the Accountability Report, and increase cost information related to GPRA goals.

*Performance Objective:* Beginning in FY 2001, the Department reported 100 percent of the high-level annual performance measures in the Accountability Report and reported costs for 100 percent of GPRA program activities. In FY 2002, the Department will consolidate the Annual Performance Report with the Annual Accountability Report and report costs for 100 percent of the GPRA program activities.

## Combining Financial Statements with Performance Data

	<b>FY 01 Actual</b>	<b>FY 02 Plan</b>	<b>FY 02 Actual (estimate)</b>	<b>FY 03 Plan</b>	<b>FY 04 Plan</b>	<b>FY 05 Plan</b>
Ratio of selected, high-level annual performance measures reported in the Accountability Report	100%	100%	100%	100%	100%	100%
Percent of GPRA Program Activity performance measures in the Accountability Report	N/A	100%	100%	100%	100%	100%

***Performance Measure - Interim financial statements and performance reports***

The Department intends to prepare interim financial statements for all bureaus and the Department and improve the availability of financial and budget information to Interior management.

*Performance Goal:* The Department's goal is to produce two interim financial statements and one interim report on performance data during the year.

*Performance Objective:* By the end of the current fiscal year and each year thereafter, produce interim financial statements, including the Statement of Budgetary Resources, for each bureau and the Department using the Consolidated Financial Statement application.

## Interim Financial Statements with Performance Data

	<b>FY 01 Actual</b>	<b>FY 02 Plan</b>	<b>FY 02 Actual</b>	<b>FY 03 Plan</b>	<b>FY 04 Plan</b>	<b>FY 05 Plan</b>
Number of interim financial statements	1	1	1	3	3	3
Number of interim reports on performance data	0	1	0	1	1	1