

Compliance with Legal and Regulatory Requirements

This section of the report provides the required information on the Department's compliance with the following legal and regulatory requirements:

- ◆ Federal Managers' Financial Integrity Act
- ◆ Federal Financial Management Improvement Act
- ◆ Inspector General Act Amendments
- ◆ Federal Information Security Management Act
- ◆ Other key legal and regulatory requirements including the following:
 - Prompt Payment Act
 - Debt Collection Improvement Act

In addition, this section includes summaries of the Department's financial management improvement initiatives regarding:

- ◆ Audited financial statement results
- ◆ Major management challenges facing Interior
- ◆ Financial management systems
- ◆ Financial management human capital
- ◆ Financial data stewardship

Federal Managers' Financial Integrity Act

The Department believes that maintaining integrity and accountability in all programs and operations: (1) is critical for good government; (2) demonstrates responsible stewardship over assets and resources; (3) ensures high-quality, responsible leadership; (4) ensures the effective delivery of services to customers; and (5) maximizes desired program outcomes. Interior has developed and implemented management, administrative, and financial system controls that reasonably ensure:

- ◆ Programs and operations achieve intended results efficiently and effectively;

- ◆ Resources are used in accordance with the mission;
- ◆ Programs and resources are protected from waste, fraud, and mismanagement;
- ◆ Laws and regulations are followed; and
- ◆ Timely, accurate and reliable data are maintained and used for decision-making at all levels.

Interior's internal control program is designed to ensure full compliance with the goals, objectives, and requirements of FMFIA and OMB Circular No. A-123, *Management's Responsibility for Internal Control*, including Appendix A, *Internal Control over Financial Reporting*; OMB Circular No. A-127, *Financial Management Systems*, and OMB Circular No. A-130, *Management of Federal Information Resources*.

Management Assurances

FMFIA requires agencies to provide an annual statement of assurance regarding the effectiveness of internal and accounting controls over financial systems. Agencies are also required to provide an assurance statement on management's assessment of the effectiveness of internal control over financial reporting as of June 30 each fiscal year. During FY 2007, the Office of Financial Management conducted comprehensive site visits and otherwise provided oversight with regard to risk assessments, internal control reviews, assessments of internal control over financial reporting, and progress in implementing audit recommendations. Interior's FY 2007 Annual Assurance Statement is highlighted to the right. The basis for the assurance statement conclusions are discussed below.

Internal Control Assessments

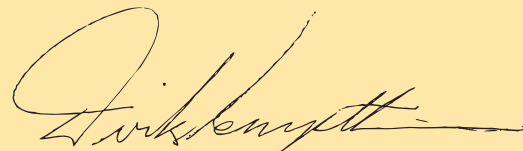
Interior conducts annual assessments of the effectiveness of management, administrative, and accounting systems controls in accordance with FMFIA and OMB guidelines. The conclusions in the Secretary's FY 2007 Annual FMFIA Assurance Statement are based on the results of 512 internal control reviews of programs and administrative functions conducted by bureaus and offices, including an assessment of internal control over financial reporting; 48 Office of Inspector General program audits; 21 Government Accountability

FY 2007 ASSURANCE STATEMENT

Interior's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives and requirements of the Federal Managers' Financial Integrity Act of 1982. Interior conducted its annual assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the requirements of the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, Interior can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2007, was operating effectively and that no material weaknesses were found in the design or operation of the internal controls.

In addition, Interior conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular No. A-123. Based on the results of this evaluation, Interior can provide reasonable assurance that its internal control over financial reporting as of June 30, 2007, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. Further, subsequent testing through September 30, 2007, did not identify any reportable changes in key financial reporting internal controls.

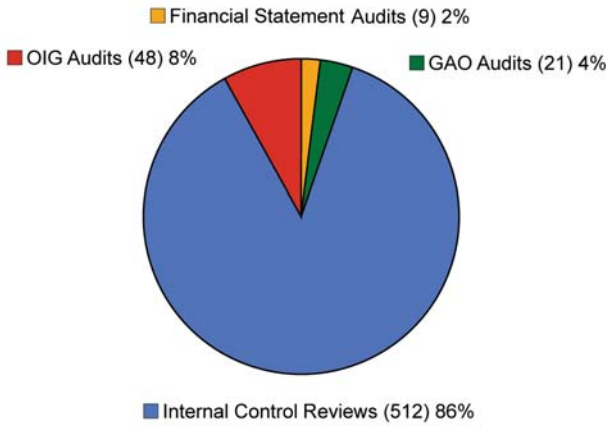
Also, Interior can provide reasonable assurance that its financial systems substantially comply with the Federal Managers' Financial Integrity Act and with the component requirements of the Federal Financial Management Improvement Act.



Dirk Kempthorne
Secretary of the Interior
November 13, 2007

FIGURE 1-62

Basis for FY 2007 Assurance Statement



Office program audits; and the 9 financial statement audits conducted by the independent public accounting firm, KPMG LLP, under the auspices of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994 (see Figure 1-62). As in prior years, internal control reviews performed by the Department and its bureaus provided the majority of the support (86%) for the Annual Assurance Statement. In addition, many of Interior’s internal control reviews and related accountability and integrity program activities focused on areas identified as major management

challenges and on components of the President’s Management Agenda. Figure 1-63 presents a crosswalk of those activities.

FMFIA Material Weaknesses and Accounting System Nonconformances

OMB Circular No. A-123 requires that each agency identify and report on material weaknesses affecting the agency. Interior has adopted the OMB guidelines for material weakness designations. These guidelines are highlighted on the next page. Interior recognizes the importance of correcting material weaknesses in a timely manner. The Office of Financial Management and senior program officials continuously monitor corrective action progress for all material weaknesses. At the beginning of FY 2007, Interior had no department-level FMFIA material weaknesses pending correction carried forward from the previous year.

The Department has a reporting practice consistent with the December 2004 revision to OMB Circulars No. A-123 and No. A-136, *Financial Reporting Requirements*, to report only department-level material weaknesses in the Performance and Accountability Report. Bureau-level material weaknesses continue to be reported internally

FIGURE 1-63

Crosswalk of Activities Related to Major Management Challenges

Management Accountability and Integrity Program Activities in FY 2007 Related to Interior’s Major Management Challenges and President’s Management Agenda	Interior’s Major Management Challenges								President’s Management Agenda				
	Financial Management	Information Technology	Health, Safety, and Emergency Management	Maintenance of Facilities	Responsibilities to Indian and Insular Affairs	Resource Protection and Restoration	Revenue Collections	Procurement, Contracts, and Grants	Competitive Sourcing	Strategic Management of Human Capital	Expanded Electronic Government	Improved Financial Management	Budget and Performance Integration
Internal Control Reviews/Management Studies and Initiatives	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
OIG Audits													
- Program Audits Completed	✓	✓	✓	✓	✓	✓	✓	✓			✓		
- Financial Statement Audits Completed	✓	✓			✓		✓	✓			✓	✓	
GAO Audits Completed	✓	✓	✓	✓	✓	✓	✓	✓			✓		

and are actively monitored by the bureau and the Office of Financial Management for timely corrective action. The FMFIA material weakness, (Indian Trust Assets) shown in Figure 1-64, was downgraded in FY 2006. Interior has no department FMFIA material weaknesses to carry over to FY 2008 for management's reporting purposes.

A summary of the Department's financial statement audit material weaknesses, FMFIA material weaknesses and accounting system nonconformances is presented in Figures 1-65 and 1-66.

Internal Control over Financial Reporting

Revised OMB Circular No. A-123, Appendix A, strengthens internal control requirements over financial reporting in Federal agencies. The revised circular provides updated internal control standards and requirements for conducting management's assessment of the effectiveness of internal controls over financial reporting.

In FY 2007, the Department completed its second assessment of the effectiveness of internal control over financial reporting. The results of the assessment revealed that adequate controls exist and that financial reporting can be relied upon by senior management when used in conjunction with other decision-making processes. The assessment did not disclose any material weaknesses in the Department's financial reporting activities. Although deficiencies were found in some financial reporting business processes, corrective actions are expected to correct the deficiencies. The Department's internal controls over financial reporting reasonably ensure the safeguarding of assets from waste, loss, and unauthorized use or misappropriation, as well as reasonably ensure compliance with laws and regulations pertaining to financial reporting (See FY 2007 Assurance Statement, paragraph 2).

Departmental policy-makers and program managers continuously seek ways to achieve missions, meet program goals and measures, enhance operational processes, and implement new technological developments. The OMB requirement to assess control over financial reporting strengthens accountability of Departmental managers regarding internal controls and improves the quality and reliability of the Department's financial information.

Material Weakness Guidelines

OMB and the Department define a *material weakness* as follows:

- ◆ A control deficiency, or combination of control deficiencies, that in management's judgment, should be communicated because they represent significant weaknesses in the design or operation of internal control that could adversely affect the organization's ability to meet its internal control objective which the agency head determines to be significant enough to report outside the agency.
- ◆ A *material weakness* in financial reporting is a significant deficiency- i.e., one that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably and in accordance with Generally Accepted Accounting Principles - or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

The Department will report a material weakness corrected or downgraded when the following occurs:

- ◆ Senior management has demonstrated its commitment to resolving the material weakness as evidenced by resource deployment and frequent and regular monitoring of corrective action progress;
- ◆ Substantial and timely documented progress in completing material weakness corrective actions is provided;
- ◆ Corrective actions have been substantially completed, the remaining actions are minor in scope, and the actions will be completed within the next fiscal year;
- ◆ Implemented corrective actions have eliminated or minimized the root cause(s) of the material weakness; and
- ◆ Substantial validation of corrective action effectiveness has been performed.

FIGURE 1-64

FMFIA Material Weaknesses Previously Downgraded				
Description	Corrective Actions	FY 2007 Progress	FY 2006 PAR Target Date	Status
<p>Bureaus: IA/OST/OS/OHTA</p> <p>First Reported: FY 1991</p> <p>Indian Trust Assets: The Office of the Special Trustee for American Indians' conversion to a commercial trust fund accounting system and the implementation of enhanced OST management controls ensure that all collected trust funds are properly accounted for. The remaining items to correct this material weakness includes: Office of Historical Trust Accounting's historical accounting; strengthening the existing system of controls to ensure that Indian Affairs ownership and distribution information is correct.</p>	<p>Departmental trust policies, procedures, systems and internal control will continue to be improved and training provided to achieve the goals of the Comprehensive Trust Management Plan.</p>	<p>Indian Affairs - has: (1) closed 9,400 probate cases; (2) assisted the Department's regulatory initiative team in drafting regulations for probate, owner managed leasing, consolidation by sale, and ownership information; (3) deployed Trust Asset and Accounting Management System and data conversion at 45 agency field offices in 12 regions; (4) published program procedural handbooks for the Trust land and natural resource management programs; and (5) issued policies on Life Estates/Dowers, Witnesses, Timber Sales, Minerals, and Rounding.</p> <p>OHTA has completed to date, historical accounting that supports several significant conclusions: (1) a very high percentage of records exist and can be located; (2) differences between supporting records and recorded transactions are few in number, small in size, and not systemic; (3) there is no evidence historical records have been altered; and (4) there is ample evidence that monies collected were distributed to the correct recipients.</p> <p>The Office of the Secretary coordinated efforts with IA, OHTA, and OST to assess the Trust weaknesses identified as potential findings in subsequent audit reports.</p> <p>OST completed the implementation of a centralized commercial lockbox process that was initiated in FY 2005; this process included policies, procedures and training. OST Regional Trust Administrators are taking the lead in concert with Bureau of Indian Affairs regional directors to oversee the leasing module conversions to the TAAMS. Regarding these conversions 100% of recurring Individual Indian Monies income and 100% of IIM accounts were converted to the leasing module of the TAAMS.</p> <p>Beneficiaries serviced by the various agencies that have been converted to the leasing module for TAAMS are receiving quarterly performance statements that provide information regarding source of funds, encumbrance information (who is leasing their property, duration and payment terms of lease), and a listing of the trust property they own.</p>	<p>FY 2008</p>	<p>Interior downgraded to Significant Deficiency in 2006.</p> <p>Downgrade validated by financial statement auditors in 2007.</p>

Federal Financial Management Improvement Act

FFMIA builds upon and complements the CFO Act, Government Performance and Results Act, and Government Management Reform Act. FFMIA requires that Federal agencies substantially comply with: 1) applicable Federal accounting standards; 2)

the Governmentwide U.S. Government Standard General Ledger; and, 3) Federal financial management system requirements that support full disclosure of Federal financial data, including the cost of Federal programs and activities.

Federal agencies are required to address compliance with the requirements of FFMIA in

the representation letter to the financial statement auditor. The auditor is required to report on the agency's compliance with FFMIA requirements in the Independent Auditors' Report. If an agency is not in compliance with the requirements of the FFMIA, the agency head is required to establish a remediation plan to achieve substantial compliance.

Although the FY 2007 Department financial statement audit report did identify a deficiency concerning noncompliance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, the Department substantially complies with the FFMIA and FFMIA.

Inspector General Act Amendments (Audit Follow-up)

Interior believes that the timely implementation of OIG and Government Accountability Office audit recommendations is essential to improving efficiency and effectiveness in its programs and operations, as well as to achieving integrity and accountability goals. As a result, DOI has instituted a comprehensive audit follow-up program to ensure that audit recommendations are implemented in a timely and cost-effective manner and that disallowed costs and other funds due from contractors and grantees are collected or offset. In FY 2007, Interior monitored a substantial number of new Single Audit (293), OIG (67), and GAO (52) audit reports. Audit follow-up actions include analyzing audit reports referred; advising grantors of single audit findings; tracking, reviewing, and validating program and financial audit recommendations; developing mutually acceptable and timely resolution of disputed audit findings and recommendations;

overseeing the implementation, documenting and closing of audit recommendations; and monitoring the recovery of disallowed costs.

Departmental Goal for Timely Implementation of Audit Recommendations

To further underscore the importance of timely implementation of OIG and GAO audit recommendations, Interior has established an aggressive performance goal to implement 85% of all GAO and OIG recommendations where implementation was scheduled to occur during the year or in previous years. Financial audit recommendations issued in FY 2007 were also included in the goal base.

In FY 2007, Interior exceeded its performance goal with a composite implementation rate of 89% (Figure 1-67). Interior's success in achieving the performance goal for the fifth consecutive year was due primarily to DOI's aggressive monitoring process. Monthly and quarterly scorecards on status of program internal control reviews and of audit recommendation implementation were prepared for each bureau and office to ensure commitments are being met, and that senior management attention was directed immediately to slippage when it occurred. This same progress monitoring will continue in FY 2008 to ensure achievement of next year's performance goal.

Audits Performed Under the Single Audit Act

Interior provides over \$2 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 not-for-profit organizations. Under the provisions of the

FIGURE 1-65

Summary of FY 2007 Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Control over Trust Funds (IA, OST, & DO)	1	0	1 (Downgraded)	0	0
Total Material Weaknesses	1	0	1	0	0

FIGURE 1-66

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform to Financial Management System Requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total of Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. U.S. Standard General Ledger at Transaction Level	Yes	

Single Audit Act, grantees’ financial operations, internal control structures, and levels of compliance with applicable laws and regulations must be audited each year. All Single Audit reports are forwarded to and screened by the Federal Single Audit Clearinghouse. Those Single Audit reports with findings and recommendations requiring audit follow-up are forwarded to the Department’s Office of Inspector General, who, in turn, forwards those reports to the Office of Financial Management for

distribution to the appropriate bureaus for audit follow-up, resolution and tracking. Each bureau is responsible for meeting with grantees and negotiating a resolution to the deficiencies identified in the audit reports, as well as for determining the allowability of any expenditure of Federal funds that has been questioned by the auditors.

Interior closed 234 of 293 audits under the Single Audit Act (80%) in tracking during FY 2007. As in

previous years, the Department plans to continue its monitoring and follow-up activities during FY 2008 to close audit reports including those with disallowed costs.

Performance and Financial Audits

Performance and Financial Audits are OIG conducted audits of Interior’s programs, organizations, and financial and administrative operations. During FY 2007, 67 OIG audits with 443 recommendations were tracked; 393 (89%) were completed or closed.

Some OIG audit reports contain recommendations to improve efficiency and assert that funds could have been put to better use. For the 12 months ending September 30, 2007, the OIG issued 4 audit reports (excluding audits of contracts and grants, discussed below) with \$13.8 million of FBU. During the period, management agreed to and closed recommendations in 8 reports with \$4.3 million of reported FBU.

Audits of Contracts and Grants

For the 12 months ending September 30, 2007, the OIG reported issuing 27 audit reports that contained \$5.6 million in questioned costs, \$4.6 million in unsupported costs, and \$1.9 million of FBU. During the period, management agreed to and closed recommendations in 12 reports with \$4.7 million of questioned costs, including \$2 million of unsupported costs.

GAO Audits

GAO audits are a major component of Interior’s audit follow-up program workload and cover a variety of programs, operations, and activities. A total of 31 GAO reports with 79 recommendations were carried over from FY 2006. During FY 2007, GAO issued a total of 23 new reports with 29 recommendations. The Department was successful in closing 26 of the 54 reports and 41 of the 108 recommendations in tracking during FY 2007 (Figure 1-68).

FIGURE 1-67

FY 2007 DEPARTMENTAL PERFORMANCE GOAL FOR IMPLEMENTATION OF OIG AND GAO AUDIT RECOMMENDATIONS			
Agency	Recommendations Meeting Departmental Goal Criteria	Recommendations Implemented	Percentage Implemented
DOI TOTAL	490	434	89

Audited Financial Statement Results

As required by GMRA, Interior prepares consolidated financial statements. These financial statements have been audited by KPMG LLP, an independent public accounting firm, since FY 2001 (the OIG audited the financial statements prior to FY 2001). Additionally, certain bureaus prepare financial statements that are also audited.

The preparation and audit of financial statements are an integral part of the Department’s centralized process to ensure the integrity of financial information maintained by Interior.

The results of the FY 2007 financial statement audit are summarized in Figure 1-65. As shown in the table, Interior again achieved an unqualified audit opinion, the eleventh in a row, for the Department’s consolidated financial statements.

In FY 2006, the Department did not agree with the auditors that Indian Trust Assets was a department-level material weakness. A variety of actions were taken in FY 2006 and 2007 to significantly improve internal controls and systems for Indian trust. An extensive amount of documentation was provided to the auditors during the FY 2007 audit cycle. As a result of these actions, the auditors have downgraded Indian Trust Assets from a department-level material weakness to a significant deficiency.

Figures 1-69 and 1-70 summarize the status of material weaknesses and noncompliance issues reported in the FY 2007 and FY 2006 financial statement audit. As noted previously, Interior reports only department-level material weaknesses and noncompliances. The Department has established an internal goal of completing corrective actions for material weaknesses and noncompliance issues by the end of the following fiscal year, unless the magnitude of the corrective action involves a multiyear effort.

The FY 2006 auditor’s report identified 3 instances of noncompliance with laws and regulations. The Department fully concurred with only one of the findings (See Figure 1-70). During FY 2007, the Department corrected 2 noncompliance issues reported in

FIGURE 1-68

SUMMARY OF ACTIONS TAKEN IN FY 2007 ON AUDIT REPORTS ISSUED BY THE GAO					
			Number of Recommendations	Number of Reports	
In tracking as of October 1, 2006			79	31	
FY 2007 audits added to tracking system after October 1, 2006			29	23	
Subtotal			108	54	
Closed during FY 2007			41	26	
In tracking as of September 30, 2007			67	28	
Code	Status of final reports in tracking	Number of Recommendations	Number of Reports		
D1	Mgmt decisions < 1 yr old	42	19		
D2	Mgmt decisions > 1 yr old	25	9		
D3	Mgmt decision under formal appeal	0	0		

the FY 2006 audits. The third issue, Single Audit Act Amendments of 1996, is the only noncompliance issue carried over to the FY 2007 audit, and management concurs with it.

Major Management Challenges Confronting Interior

The OIG and the GAO annually advise Congress on what they consider to be the major management challenges facing the Department. Appendix A presents a summary of the major management challenges identified by the OIG and GAO. Appendix B contains the Department of the Interior’s response to the challenges identified.

Federal Information Security Management Act

FISMA provides a framework and relevant agency roles for ensuring the effectiveness of security controls with regard to information resources that support Federal operations and assets. The law gives latitude for OMB and the Department of Commerce through the National Institute of Standards and Technology to identify minimum standards for operating information systems within the Federal Government.

Information security is an ongoing process of continuous improvement. Challenges are constantly present from evolving requirements and technologies. During FY 2007, the Department

identified the following priorities for improving its overall information security posture:

- ◆ Continuing improvements in revising Department Certification and Accreditation documentation and execution processes, to include OMB requirements for protecting personally identifiable information.
- ◆ Further improving the Department’s security configurations in accordance with emergent Security Technical Implementation Guides as directed by OMB.
- ◆ Refining the Department’s compliance effort in meeting the requirement to report system weaknesses through the Plans of Action and Milestones process.
- ◆ Implementing automated tools to verify and validate system security configurations.
- ◆ Integrating processes into life cycle management.

By focusing on these priorities, the Department was able to continue to make significant progress in improving and strengthening its overall security posture during FY 2007. In addressing the priorities listed above, the following actions were achieved:

- ◆ C&A packages were completed for 96 percent of bureau systems in the Department’s inventory. The content of C&A packages created or updated in FY 2007 was

FIGURE 1-69

FY 2007 and 2006 Audited Financial Statements Material Weakness Corrective Action Plan (as of September 30, 2007)						
			Fiscal Year			
Bureau	Material Weakness Description	Corrective Action	2006	2007	Original Target Date	Status
DEPT IA DO OST	Control Over Trust Funds	FY 2006 – Develop and implement procedures and internal controls to address the deficiencies in controls related to Indian Trust Funds.	X		11/30/07	Downgraded

FIGURE 1-70

FY 2007 and 2006 Audited Financial Statements Noncompliance Corrective Action Plan (as of September 30, 2007)						
			Fiscal Year			
Bureau	Noncompliance Description	Corrective Action	2006	2007	Original Target Date	Status
DEPT IA BLM BOR DO FWS NPS	Federal Financial Management Improvement Act (FFMIA)	FY 2006 – Improve procedures and internal controls to ensure that the financial statements and related disclosures are prepared in accordance with the federal accounting standards.	X		9/30/06	Completed
DEPT DO NBC	Potential Noncompliance with the Anti-Deficiency Act, Acquisition Regulations, and Leasing Laws and Regulations	FY 2006 – Investigate and resolve potential noncompliance with the Anti-Deficiency Act, procurement regulations, and leasing laws and regulations to ensure compliance with the Act.	X		6/30/07	Completed
DEPT DO BOR FWS NPS USGS	Single Audit Act Amendments of 1996	FY 2006 – Improve grantee monitoring processes to ensure compliance with the Single Audit Act Amendments and obtain necessary audit reports in a timely fashion to meet the requirements of the Act. FY 2007 – Obtain Single Audit, Financial Status, Grant Performance, and Annual Reports and issue management decisions on audit findings in accordance with the requirements of the Single Audit Act Amendments.	X	X	9/30/06	Carryover

standardized along NIST Special Publication 800-37 and related standards and guidelines associated with the C&A of information systems.

- ◆ A STIG Working Group was established to coordinate and approve common, Department- wide security configurations. The working group most recently addressed: OMB guidance on standard configurations for the Windows XP Operating System based

on the Federal Desktop Core Configuration consistent with the memorandum to agency Chief Information Officers; establishment of Windows XP and VISTA Virtual Machine and *Procedures for Adopting the Federal Desktop Core Configurations*, issued by OMB on July 31, 2007; and, NIST Special Publication 800-68, *Guidance for Securing Microsoft Windows XP Systems for IT Professionals: A NIST Security Configuration Checklist*.

- ◆ The Plans of Action and Milestones process implemented last year were reviewed and found to significantly improve the involvement of senior level management, a key goal. Additional guidance was distributed to further improve the completion of corrective actions and their documentation. The guidance also helped ensure FISMA compliance.

Specific actions, initiated and/or completed, in FY 2007 include:

- ◆ **Department of the Interior IT Security and Privacy Program** – The program is in the final process of completing the Department's IT Security Policy Handbook to align Departmental policies with the NIST Special Publication 800-53 families of controls, and of implementing OMB's requirements for the protection of sensitive agency information, including personally identifiable information, by deploying appropriate encryption solutions and technology to remote laptops and workstations. Interior completed and promulgated the Department's Privacy Loss Mitigation Strategy in accordance with the OMB Memoranda on *Recommendations for Identity Theft Related Data Breach Notification*, issued on September 20, 2006, and *Safeguarding Against and Responding to the Breach of Personally Identifiable Information (M-07-16)*, issued on May 22, 2007. Interior also completed the Identity Theft Task Force charter, established the Department's ITTF, and promulgated Office of the Chief Information Officer Directive 2007-005, *Departmental Strategy to Safeguard Personally Identifiable Information and Reduce the Collection and Uses of Social Security Numbers*.
- ◆ **Certification and Accreditation Process** – In FY 2007 Interior established a Memorandum of Agreement with the Department of Justice and initiated a project to begin deploying the Cyber Security Assessment and Management solution in support of improvements to Interior's Certification and Accreditation, POA&M's and Internal Control Review processes. The DOJ is a Shared Service Center provider

under OMB's Information Systems Security Line of Business. By implementing the CSAM solution Interior expects to realize significant improvements to the C&A process through the increased standardization of C&A processes, consistency and quality of documentation, and efficiencies through integration between those three related program components. During FY 2007, Interior also re-certified and re-accredited approximately 56 percent, or 84, of its General Support Systems and Major Applications.

Senior management commitment towards ensuring FISMA compliance and continuous improvement with regard to assessing risk, demonstrating commensurate controls, and documenting agency official approval of operations is demonstrated by Interior's C&A performance metrics in Figure 1-71.

Plans of Action and Milestones – The POA&M is the OMB-required, authoritative format for tracking identified weaknesses in IT security programs and systems. Designated Approving Authorities, CIOs, and System Owners must review the POA&M and determine reasonable remediation milestones, schedules, resources, and priorities within their system release plans. The CSAM solution described above will enable automating various aspects of Interior's POA&M tracking, management, and reporting processes. This FISMA automated reporting solution will provide bureaus and offices greater simplicity in entering and managing their known security weaknesses. Department-level reporting will also be greatly enhanced to provide the most accurate reporting possible and minimize workload. This more efficient reporting mechanism enables constrained staff resources to focus on the adequacy of weakness descriptions, appropriateness of resolution plans, accuracy of corrective action status, and enable greater prioritization of resources to perform increased compliance oversight. The CSAM solution will also enable the prioritization of some of the most critical corrective actions at the Departmental level.

Information Security Controls – The Department established a cross-DOI Internal Security Improvement Team working group to develop an IT Security Defense-in-Depth Strategic Plan that included approximately 40 recommendations to

address risks associated with insider threats to Interior’s information and information systems. Initial recommendations from this team were provided on July 19, 2007, and Interior expects to make final decisions regarding implementation strategy by November 2007. A number of key recommendations included in that plan are being integrated into Interior’s IT Roadmap initiative to appropriately prioritize and align these initiatives with other related and planned initiatives.

As part of Interior’s self-assessments performed under annual ICRs, Interior measures the progress of implementing required security controls consistent with NIST FIPS Pub. 200 and SP 800-53, and assessed in accordance with NIST SP 800-53A, for information systems using five levels of effectiveness with the following maturity levels:

- ◆ Level 1 – control objective documented in a security policy.
- ◆ Level 2 – security controls documented as procedures.
- ◆ Level 3 – procedures have been implemented.

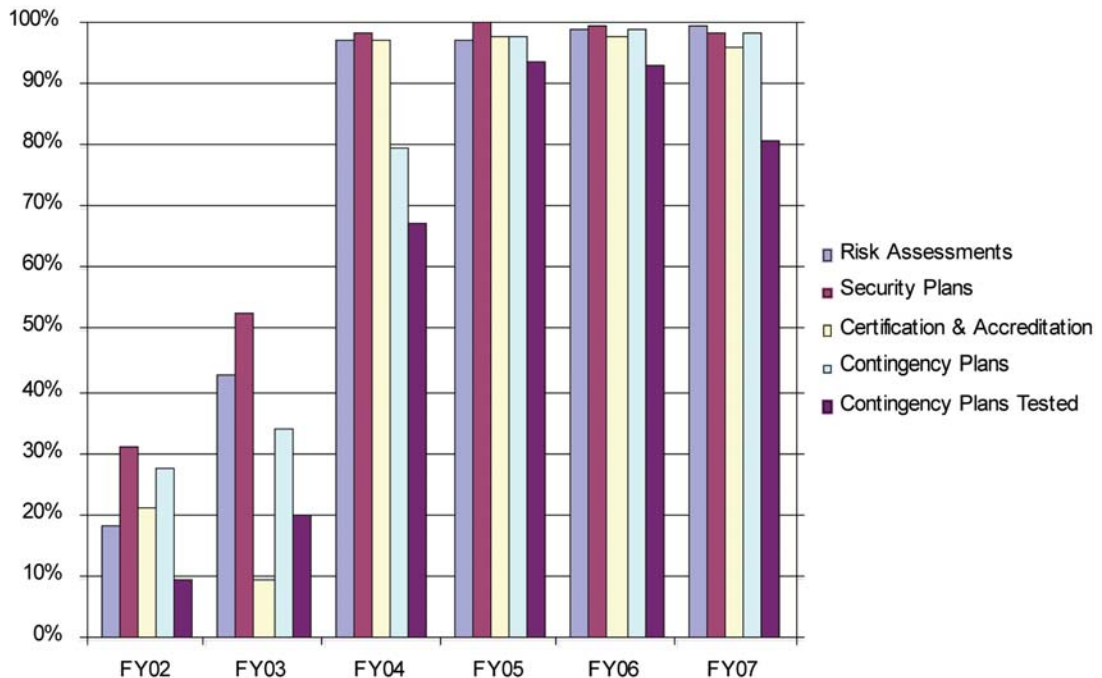
- ◆ Level 4 – procedures and security controls are tested and reviewed.
- ◆ Level 5 – procedures and security controls are fully integrated into a comprehensive program.

Based on the results of these reviews, Interior has achieved an overall Level 4.51 maturity when measured against the assessment criteria.

Enterprise Resource Management Program – Key goals are to align the Department’s major IT investments with its enterprise architecture, improve security through more consistent and efficient products and services, and better manage IT resources to reduce costs.

Minimum Standards for Security Configurations – Interior maintains an inventory of approved STIGS for critical IT security components, such as operating systems, router configuration, database hardening, etc. This effort requires constant attention due to changes taking place in the field of information technology and requirements of OMB for standard configurations. Interior’s STIG Working Group recently adopted OMB’s STIG for the Windows XP

FIGURE 1-71
Certification and Accreditation Activities



Operating System and will begin implementing those standard secure configurations in the first quarter of FY 2008, resulting in improved security for end-user computers and a more manageable environment.

Portfolio Management Program – Seventy percent of actions required in FY 2007 to attain Level 3 maturity along GAO's IT Investment Management framework will be completed. In addition, 100 percent of IT investment expenditures will be reviewed through the Capital Planning and Investment Control process and emphasis will be placed on ensuring that 95 percent of the Department's IT investments are within ten percent variance of established cost, schedule, and performance baselines. Building on these accomplishments, the program goal for 2008 is to fully attain Level 3 maturity, synchronize capital planning activities with enterprise architecture and IT security, and build upon the implementation of the Project Management Information System.

Skilled Workforce – Programs are not successful unless they are managed by a skilled workforce. To develop the best possible information security programs within the Department, it has developed a staffing pattern that allows for the full implementation of an Information Security Program commensurate with its size and balancing the appropriate mix of Federal employees and contractors. Several key positions have already been filled and more hiring actions are in progress to fill positions that were formerly contract employees with Federal employees.

The annual FISMA evaluations of both the OIG and CIO concluded that IT security at Interior needs improvement, risks and vulnerabilities remain, and improvements can be made. Interior believes the policies and processes in place to address those risks are present, that improvements have been and will continue to be made in a timely and cost-effective manner, and that DOI substantially complies with FISMA.

Compliance with Key Legal and Regulatory Requirements

Interior is required to comply with several key legal and regulatory financial requirements, including the PPA, the DCIA, and the Independent Offices Appropriation Act.

Based on the results of the FY 2007 independent financial statement audit, Interior was determined to be compliant with legal and regulatory financial requirements and the USSGL components of the FFMIA. As noted earlier in this section, Figure 1-66 presents a summary of the Department's areas of compliance reported in the FY 2007 financial statement audit opinions.

Prompt Pay, Debt Collection, and Electronic Funds Transfer

The Department is continuing to improve performance under the requirements of the PPA and the DCIA. The PPA requires that payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest. The DCIA requires any non-tax debt owed to the United States that has been delinquent for a period of over 180 days be turned over to the Department of the Treasury for collection. Electronic Funds Transfer, a provision of the DCIA, mandates all recipients of Federal payments, except tax refunds, receive their payments electronically.

The Department's FY 2007 performance resulted in achieving goals for the PPA (Figure 1-72), the DCIA (Figure 1-73), and payments made by EFT (Figure 1-74).

Financial Management Improvement Initiatives

The Department is moving forward to fully comply with the *E-Gov Travel* initiative. During FY 2007, Interior began to roll out an end-to-end automated travel management system providing booking/reservations, travel authorization, and travel voucher processing services under one system. The system will be interfaced with the current finance system, Federal Financial System, and will be integrated with the Financial and Business Management System as it is deployed throughout the Department.

Improved Cost Information

The Department continues enhancement of the Management Cost Accounting system and its integration with the financial accounting system. This integration has focused on providing valid and useful information related to performance measurement and budgeting to all levels of management throughout the organization. This requires cost information aggregation and reconciliation that support bureau program managers as well as Departmental management's strategic goals and objectives. We have accomplished alignment in the Statement of Net Cost by building an organizational structure that captures cost transactions at the Mission Area and the End Outcome Goal level while allowing the bureaus to adopt flexible goals and activities that support these outcomes. These flexibilities have led to some criticism by GAO that we have no single integrated information system to obtain the MCA data. However, we have begun addressing this concern by implementing FBMS in two bureaus this fiscal year. Full implementation of this system will facilitate the single data source solution and ensure consistency across each entity. This fiscal year we focused on identifying representative measures within each mission area and identifying the expense data for these measures as they are built into the Statement of Net Cost model.

Financial Management Systems

The Department shares the view of the government-wide CFO Council that a key to improved financial and program management is improved financial management systems. Improving financial management systems will provide for and strengthen decision-making capabilities and enable Interior program and financial managers to more effectively achieve the Department's missions. The Department recognizes the importance of its financial management systems as a part of its capital assets portfolio and uses sound information technology investment management principles to plan and monitor these systems. With FBMS, Interior's goal is to achieve and maintain the objective stated in OMB Circular No. A-127, *Financial Management Systems*, for each agency to establish a single, integrated financial management system. In pursuing this goal, the Department will follow the information technology investment management practices and principles identified in the Clinger-Cohen Act of 1996.

FIGURE 1-72
Prompt Payment

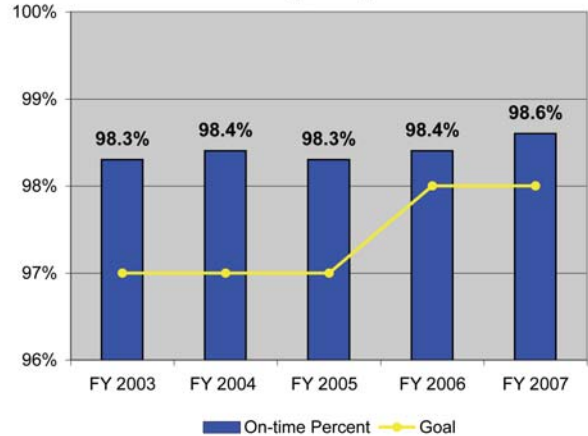


FIGURE 1-73
Debt Referral

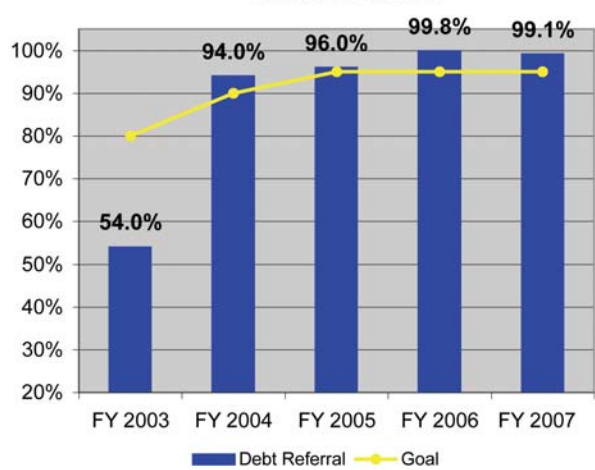
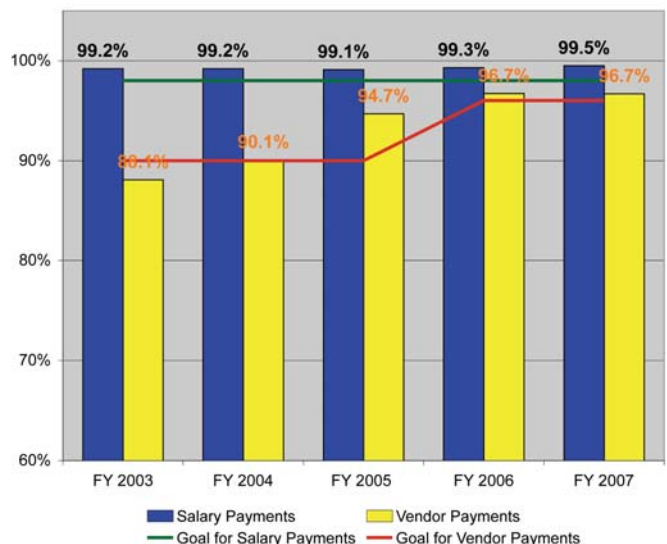


FIGURE 1-74
Electronic Funds Transfer



Financial Management Systems Improvement Strategy

The Department's goal is to continue to improve financial transaction processing and to enhance financial management systems support through an effective partnership of program, information system, and financial managers.

The Department relies on financial management systems planned for, managed together, and operated to collectively support program and financial managers. These systems are managed at various levels within the Department. Some of these systems are managed on a Departmental level, others are maintained at a bureau or local level, and some are Government-wide systems on which the Department relies. Collectively, they represent the Department's financial management systems architecture.

The Department has viewed the movement toward a single, integrated financial system as encompassing four interrelated elements: (1) improve internal controls; (2) eliminate redundant data entry; (3) enable end-to-end transaction processing; and (4) standardization of data for improved information quality.

The Department's current financial management system improvement efforts involve three major thrusts:

- ◆ **FBMS.** Define, carefully plan, and implement a new generation of financial management systems to replace existing systems that are no longer supported by their software companies;
- ◆ **Critical Programmatic/Financial Management Systems.** Continue to improve certain critical bureau-based programmatic/financial management programs: Minerals Revenue Management and American Indian Trust Funds; and
- ◆ **Interior Enterprise Architecture Program.** Continue to improve the Information Technology infrastructure supporting financial systems. The IT infrastructure is critical to

maintaining quality financial management systems. One of the major IT infrastructure efforts is the Interior Enterprise Architecture Program.

Financial and Business Management System

The Department of the Interior is in the third phase of implementing FBMS resulting in the Department's business transformation over the next few years. Interior has developed an Interior-wide strategic plan for the first time in the Department's history to guide efforts to deliver more programs and services in a fiscally responsible manner — and FBMS is a major component of this strategic plan. This will require Interior to operate more as one Department and work towards being able to share resources across bureaus to maximize resources.

When fully operational, FBMS will provide Interior with standard business practices supported by a single, integrated financial and administrative system for all bureaus. FBMS is an integrated suite of software applications that will help Interior manage a variety of business functions, including core financials, acquisition, budget formulation, personal property and fleet management, real property, travel, financial assistance, and enterprise management information.

The standardization and integration delivered by FBMS will help facilitate more collaborative relationships and establish a common approach to financial and business management. As a result, the Department will be positioned to deliver programs and services in a more efficient and effective manner. Benefits gained from implementing this suite of applications will include:

- ◆ Access to and sharing real-time, accurate business information that supports effective business decisions for mission delivery;
- ◆ Issuance of accurate financial reports and analysis of core financial, acquisition, financial assistance, and property data; and
- ◆ Retirement of outdated and legacy systems no longer supported by their software vendor.

FY 2007 Accomplishments

Several necessary activities were accomplished to ensure the successful 2007 phase of FBMS implementation - the deployment of the acquisition functionality integrated with the November 2006 deployment of core financials; financial assistance functionality; and enterprise management information and reporting for the Office of Surface Mining and the Minerals Management Service. FBMS is being hosted by Interior's National Business Center. The NBC is an OMB-designated Shared Service Provider. Some of the activities included the following:

- ◆ Improved month-end processing now managed in a cooperative manner with the bureaus, the Project Management Office, and the NBC;
- ◆ Completed system configuration, business process procedures, and test scripts for acquisition functionality;
- ◆ Developed and tested conversion and interface programs, including external interfaces;
- ◆ Developed final FBMS cut-over plan for acquisitions from Interior Department Electronic Acquisition System to Prism;
- ◆ Conducted ongoing operation and maintenance of Deployments 1 and 2 (financial assistance, core financials, and enterprise management information system for OSM and MMS);
- ◆ Planned for the fall 2008 deployment of core financials, financial assistance, acquisition, property, and enterprise management information for the Bureau of Land Management and property for MMS and OSM.

FY 2008 Planned Activities

Other necessary activities are planned to be accomplished to ensure successful FBMS Phase 4 deployment in the fall of 2008. Activities will include:

- ◆ Completing all system configuration, business process procedures and test scripts for core financials, financial assistance, acquisition,

personal property/fleet, and enterprise management information for BLM, and personal property/fleet for MMS and OSM;

- ◆ Developing and testing conversion and interface programs for BLM, MMS and OSM;
- ◆ Conducting integration and user acceptance testing;
- ◆ Conducting end-user training; and
- ◆ Developing the final FBMS cut-over plan for Deployment 4.

Critical Programmatic Systems

The Department has two critical programmatic systems that process financial data. They are the Minerals Revenue Management System and the American Indian Trust Funds Systems.

MMS Minerals Revenue Management System

The Minerals Revenue Management program is responsible for ensuring that all mineral revenues from Federal and Indian lands are efficiently, effectively, and accurately collected, accounted for, verified, and disbursed to recipients in a timely manner. These revenues have averaged more than \$9 billion annually over the last five years. To ensure revenues are properly collected and disbursed, MMS utilizes a broad range of financial services and pursues a comprehensive compliance strategy that includes an automated compliance verification program to validate the accuracy and timeliness of revenues paid. MRM also administers a robust Royalty-In-Kind program, which utilizes an asset management approach to ensure the receipt of optimal value for mineral resources.

FY 2007 Accomplishments

- ◆ MMS continues to explore opportunities for program application for the RIK program. As a result, the natural gas RIK business unit was expanded in the Gulf of Mexico and Wyoming. The crude oil business unit remained relatively static in size. In April 2007, MMS completed an analysis that examined the performance of

the RIK program during FY 2006.

A revenue gain of \$26.2 million related to both the natural gas and crude oil business units was among the highlights of the report. Combined with an additional revenue gain of \$2.6 million in additional interest earned on RIK revenues received 5 to 10 days earlier than under the royalty in value program and \$2.3 million in cost avoidance by collecting offshore oil and gas in kind instead of in value, a total revenue gain of \$31.1 million was measured for the MMS RIK program in FY 2006.

- ◆ The FY 2006 RIK Annual Report responded to Section 342(e)(2) of the Energy Policy Act of 2005, requiring the Secretary of the Interior to submit a report to Congress for each of fiscal years 2006 – 2015 that describes the performance, benefits, and savings associated with the MMS RIK program. In FY 2006, while volumes taken in kind decreased due to effects of Hurricane Katrina, total revenues to the U.S. Treasury increased when compared to the previous year. A total of 72,279,559 barrels of oil equivalent were taken in kind and sold by MMS in FY 2006. This volume is approximately 90% of the volumes taken in kind for FY 2005. The value of RIK oil and gas in FY 2006 was \$4,087,885,440, a 10% year-on-year increase in value—the increase reflecting the effect of markedly higher energy commodity prices during FY 2006. As of the end of FY 2006, MMS took in kind approximately 72% and 45% of the crude oil and natural gas royalty volumes, respectively, produced daily in the Gulf of Mexico. In April 2006, MMS, in consultation with the State of Wyoming, began taking natural gas in kind for Federal gas production in Wyoming at the rate of 30,000 Million British Thermal Units per day.
- ◆ In July 2007, MMS began deliveries of royalty oil to the Department of Energy at a rate of approximately 50,000 barrels per day for the Strategic Petroleum Reserve.
- ◆ In response to the final OIG report dated December 5, 2006, MMS formally submitted an “Action Plan to Strengthen Minerals Management Service Compliance Program operations” (Action Plan) to document the improvement actions taken and planned. The Action Plan sets forth specific actions to:
 - (i) provide reliable data for managing and reporting on Compliance and Asset Management program operations;
 - (ii) strengthen the compliance review process; and
 - (iii) improve performance measures to better reflect CAM program operations.
- ◆ MMS has completed processing the backlog of interest billings related to oil and gas leases on Federal and American Indian lands. MMS billed more than \$66 million of interest on late royalty payments and is now regularly billing lessees for late payments on a monthly basis.
- ◆ Working in partnership with the BLM, IA, the Office of the Special Trustee for American Indians, and the U.S. Geological Survey, the MMS is leading an effort to expand the number of Indian outreach sessions provided by developing Indian oil and gas training that covers all aspects of trust management including land ownership, leasing, drilling, production verification, lease inspection, royalty reporting, compliance, royalty disbursement, and financial trust accounts. The new training is tailored for tribes and Individual Indian Mineral Owners in the various regions where outreach is conducted as well as for Department of the Interior employees who are involved in Indian oil and gas activities. The additional outreach sessions and the joint agency training program will provide Indian communities and Interior employees with opportunities to gain more knowledge of the full spectrum of Indian mineral resources.
- ◆ As a result of provisions of the EPAct governing the payment of royalty on geothermal resources produced from

Federal leases and the payment of direct-use fees in lieu of royalties, the MMS published a final rule on Geothermal Valuation in May 2007. The EAct provisions amended the Geothermal Steam Act of 1970. The final rule amends the current MMS geothermal royalty valuation regulations and simplifies the royalty and direct-use fee calculations for geothermal resources for leases issued under the EAct and leases whose terms are modified under the EAct.

FY 2008 Planned Activities

- ◆ Implement an effective risk metrics program to quantitatively identify exposures and inform commercial decision-making within the RIK Program.
- ◆ Expand RIK portfolio through diversification, after enhancing internal controls, risk policy frameworks, and human resource skill sets.
- ◆ Establish a new risk-based compliance strategy.
- ◆ Continue to implement the Strategic Business Plan.
- ◆ Publish a proposed *Takes versus Entitlements* Rule.
- ◆ Publish a proposed rule for Prepayment of Royalties on Marginal Properties.
- ◆ Publish final rules on Indian Oil Valuation and Reporting Amendments
- ◆ Publish proposed rules on Coal Valuation and Debt Collection.

American Indian Trust Fund Systems

The American Indian Trust Fund Management Reform Act of 1994 identified some of the Secretary’s core responsibilities for trust fund management and established the Office of Special Trustee for American Indians. The Act identified actions required for the Secretary’s proper discharge of trust responsibilities, including providing adequate systems for accounting for and reporting trust fund

balances; providing adequate controls over receipts and disbursements; providing periodic, timely account reconciliations; determining accurate cash balances; and preparing periodic statements of account performance and balances. The Act also addressed the need for developing systems for accounting and investing funds, for reporting to account holders, and for maintaining accurate data on ownership and leasing of Indian lands.

In FY 2001, the Department commissioned an independent review which concluded that the previous reform results were not accomplishing the intended comprehensive result. Accordingly, the Department developed a more comprehensive and integrated approach—the Comprehensive Trust Management Plan, dated March 28, 2003—that sets forth a strategic framework, including six strategic goals (and various objectives) for the Department to meet in fulfilling its obligations to its fiduciary trust beneficiaries:

- ◆ Beneficiary services that are trusted, accurate, and responsive;
- ◆ Tribal self-governance and self-determination that increase participation in managing assets;
- ◆ Ownership information that is accurate, timely, and reliable;
- ◆ Land and natural resources management that maximizes return while meeting beneficiary desires (constrained by beneficiary preferences on other factors);
- ◆ Trust fund assets management that meets fiduciary standards; and,
- ◆ Administrative services that: (1) enable and empower the organization and workforce to be an effective fiduciary trustee; and (2) provide modern, appropriate systems and tools to manage the fiduciary trust.

The CTMP identifies three primary business lines: (1) beneficiary trust representation, (2) trust financial management and stewardship,

and, (3) management of land and natural resources. Each business line represents a distinct group of products or services for comprehensive trust management and encompasses related processes, products, and services within its scope. Strategic goals and specific related objectives fit within these business lines.

In June 2007, the Department released the 2007 Historical Accounting Plan for Individual Indian Money accounts. The 2007 plan reflects what has been learned in 4 years of historical accounting. The Department's plan includes the provision of historical accountings for about 371,000 IIM accounts open on or after October 25, 1994, that had balances. Implementation of the plan is estimated to cost \$335 million.

FY 2007 Accomplishments

Through the Office of the Special Trustee for American Indians, the Department of the Interior is in its third year of implementing the Fiduciary Trust Model. The FTM is designed to enhance beneficiary services for tribes and individuals, with better information about ownership, land and natural resource assets, trust fund assets, Indian self-governance and self-determination, and administrative services. When fully implemented, the FTM will transform current trust processes into more efficient, integrated, and fiscally-responsible business processes that better meet the needs of beneficiaries and employees.

Transitioning from the approximately 56 non-integrated Trust-related information systems to an integrated trust data environment is the cornerstone of the FTM. By the close of FY 2007, OST and IA achieved a milestone in trust management reform through conversion to a new leasing system which is integrated with the land title system and interfaces with the Trust Funds Accounting System. With the Exception of Compact/Contract Tribe encumbrance data, this conversion provides a single repository of ownership for DOI-processes Indian Trust land conveyance and encumbrance data. As of September 30, 2007, all locations were successfully converted to the new leasing system. As IA locations converted to the new

leasing system, Indian trust beneficiaries began receiving quarterly statements that include more detailed information on trust assets and trust income. Other selected accomplishments include:

- ◆ Continued implementation of the FTM, including the migration of automated systems that are integrated in order to support the FTM trust business processes and fulfill beneficiary needs and fiduciary requirements.
- ◆ Utilized information from the MRM, an MMS program for collecting, accounting for, and distributing mineral revenues from both Federal and Indian mineral leases, to disburse lease revenues to individual Indian beneficiaries at the converted agencies.
- ◆ Distributed \$21.8 million to individual Indian trust account holders who were previously on the "Whereabouts Unknown" list through collaborative efforts between OST, IA, and tribal governments.
- ◆ Safeguarded millions of Indian trust records at the American Indian Records Repository, in Lenexa, Kansas. So far, more than 162,321 boxes containing almost 406 million pages of Indian records have been electronically indexed and stored at the state-of-the-art storage facility.
- ◆ Provided records management training for 697 IA and OST records contacts and 295 tribal employees.
- ◆ Increased direct deposit by 3,508 IIM account holders, thus avoiding lost checks and providing timely delivery of funds.
- ◆ Worked with 43 tribes that performed or sought to perform OST programs and functions on behalf of their members, and worked to ensure that 75% of those tribes had program standards for the OST functions in place.

Compliance with Legal and Regulatory Requirements

- ◆ Published informational brochures and other material for Indian trust beneficiaries to help educate and inform them about their trust accounts and assets.
- ◆ Held outreach events and attended Indian country community events, such as pow-wows and meetings, across the country to help inform Indian trust beneficiaries about their accounts and assets.
- ◆ Conducted assessments of business process workflows, integrated system support, and workforce plans at field locations.
- ◆ Incorporated regulatory initiatives into operating procedures, manuals, and handbooks.
- ◆ Revised and enhanced training curriculum for the FTM standardized processes.
- ◆ Provided quarterly trust-related training including: Trust fundamentals, orientation programs for OST Fiduciary Trust Officers and Deputy Superintendents as well as new hires, Trust Fund Accounting System, lockbox operations, and other related trust systems.
- ◆ Certified 73 Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.
- ◆ Aligned the Risk Management program with OMB Circulars No. A-123 and No. A-130 for all OST locations and completed a comprehensive risk management plan that identifies the schedule of internal control reviews for all OST programs over the next 3 fiscal years.
- ◆ Distributed an aligned risk management assessment tool that provides automated assessment and corrective action plan development and maintenance.
- ◆ Enhanced the lockbox operations for additional funds processing.
- ◆ Revised, implemented, and conducted training on standardized IA Handbooks and OST Desk Operating Procedures in compliance with new regulations.
- ◆ Completed analysis of probate information across all trust systems and implemented reconciliation recommendations.
- ◆ Moved decision-making on selected transactions to the local level.
- ◆ Completed Data Quality and Integrity project tasks for 50 IA agencies.
- ◆ Implemented post-quality assurance review processes at 2 IA LTRO's.
- ◆ Conducted 45 trust examinations and 42 records management assessments.
- ◆ Enhanced IT security through improvements to the vulnerability scanning process and the re-certification and accreditation of systems. OST's General Support Systems was re-accredited in FY 2007.
- ◆ Redesigned and updated the OST external Web site <<http://www.doi.gov/ost>> to be interactive and informational for Indian Trust account holders.
- ◆ Worked with a contractor to communicate with Indian trust beneficiaries about the services and products available to them and how Indian trust management reforms affect them.
- ◆ Developed and implemented Cannon Financial Institute's Certified Indian Trust Examiner certification program.
- ◆ Completed a Workforce and Diversity Plan that contributes to the achievement of program objectives by providing a basis for justifying budget allocation and workload staffing levels.

Compliance with Legal and Regulatory Requirements

- ◆ Partnered with the Gallup Organization to conduct a Q-12 Employee Opinion Survey to gather information to create a more constructive and productive workplace.
- ◆ Created a Workforce Improvement Team comprising approximately 40 program office representatives to address areas identified in the 2006 Federal Human Capital Survey.

FY 2008 Planned Activities

- ◆ Certify additional Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.
- ◆ Develop and provide job-specific training to Interior and tribal employees in FTM business processes (e.g., lockbox; tribal self-governance and self-determination; and trust accounting).
- ◆ Respond to 90 percent of inquiries to the Trust Beneficiary Call Center within 2 business days and the balance of inquiries within 30 days.
- ◆ Use the Indian Trust Appraisal Request Tracking System to accurately track and project Office of Appraisal Services cost and performance data.
- ◆ Strengthen the risk management program by: (1) increasing the frequency of self-assessment cycles; (2) improving OST staff expertise through additional risk management training; (3) expanding the Risk Management Assessment Tool to include a section that addresses risks and associated internal controls at the senior management level; and, (4) aligning RM-PLUS with regulatory and legislative requirements, in particular OMB Circular No. A-123.
- ◆ Continue to work with other Interior bureaus and offices on regulatory initiatives.
- ◆ Obtain appraisal backlog information from compacted and contracted tribes and ensure that reporting requirements are incorporated into annual Memoranda of Understanding.
- ◆ Assist compact/contract tribes that are seeking access to the Department's TrustNet.
- ◆ Align Activity-Based Cost/Management System activity codes and outputs with projected budgetary funding levels.
- ◆ Expand the scope of trust examinations to all Department offices performing trust functions, including the MMS and the BLM.
- ◆ Complete 45 record management assessments and 38 trust examinations.
- ◆ Collect and index 10,000 boxes of inactive records and continue to maintain the Box Index Search System (BISS) that allows for record retrieval on an as-needed basis for over 200,000 boxes of inactive records.
- ◆ Assist the National Indian Programs Training Center in designing curriculum, hosting, and presenting courses for Indian and tribal staff.
- ◆ Resolve 25 percent of "Whereabouts Unknown" accounts.
- ◆ Conduct post quality assurance review on the encoding of Trust Asset Accounting Management System leasing module data to ensure accuracy as well as timely interface with TFAS and the TAAMS title module.
- ◆ Use Re-engineering Continuous Improvement Teams to identify the need for revised business processes, enhanced data systems, standard operating procedures, handbooks, validating metrics, desk operating manuals, and new skills training.
- ◆ Interact with at least 300 tribal, individual Indian and Alaska Native beneficiaries through local community outreach

programs regarding asset management and trust reform initiatives.

- ◆ Actively engage tribal and individual Indian beneficiaries in the management of trust assets.
- ◆ Advocate the importance of estate planning for individual Indian beneficiaries to reduce the impact on fractionation of trust land holdings.

Interior Enterprise Architecture Program

For the last three years, Interior's Enterprise Architecture program exceeded established maturity thresholds and therefore, achieved a rating of *green* from OMB. In 2007, the IEA program was recognized as one of the top five enterprise architecture programs across all Federal agencies. Agencies were evaluated on three factors of their EA Program: completeness, use, and results.

At the end of FY 2006, Interior achieved the highest rating from GAO in an assessment of 28 Federal agencies against the GAO Enterprise Architecture Management Maturity Framework. This rating indicated the IEA had fully achieved more of the evaluation criteria, (i.e., 97%) than any of the other agencies assessed.

The IEA program has proven that its approach is indeed a valid one by demonstrating tangible results from the program. In fact, in 2006, the President's Management Agenda Initiative Recreation One Stop, took a major step forward with the implementation and deployment of the National Recreation Reservation Service. The NRRS is featured at the all new *Recreation.gov* and provides one-stop shopping for the citizen's recreation needs. This is a direct result of implementing Interior's Recreation Modernization Blueprint.

Interior has completed two new modernization blueprints — one for Human Resources Management and another for the cross-cutting mission function of Land Management Planning and National Environmental Policy Act. Both modernization blueprints were approved by the Interior Investment Review Board in accordance with the IEA Governance Plan. In addition to recommendations to improve DOI's business

processes and information sharing, blueprints identify gaps and redundancies in Interior's existing IT portfolio that hamper successful achievement of strategic and programmatic goals.

IEA also issued a policy on data resource management which defines roles and responsibilities for data standardization and stewardship. IEA issued an associated procedures document for data standardization, which provides a consistent methodology for defining data standards to meet the broadest organizational needs.

In efforts to further formalize data standardization, IEA has implemented performance measures for data quality for the Departmental Enterprise Architecture Repository. These measures will be used to conduct quarterly evaluations of all bureau enterprise architecture programs.

The Deputy Secretary of the Interior approved an EA Governance Plan that describes the decision-making processes used during the development of segment architectures for Interior's business areas. The Deputy Secretary also approved the annually-updated Interior Enterprise Transition Strategy. The ETS defines the sequencing for all modernization efforts across Interior. It also consolidates and coordinates the changes proposed in modernization blueprints.

The Methodology for Business Transformation has been revised and updated to MBT 1.5. MBT provides guidance on the approach Interior uses for conducting segment architecture analyses and developing modernization blueprints. The new MBT 1.5 has been enhanced to include specific guidance integrating capital planners and appropriate EA governance bodies in the process of creating the proposed investments for modernization blueprints.

In addition to OMB scores and internal recognitions, the IEA program was also noted externally by:

- ◆ 4th Annual E-Gov Institute as winner for the 2006 Excellence in Enterprise Architecture for Leadership in EA;
- ◆ Cited by the OMB Federal Enterprise Architecture Program Management Office as a best practice for other Federal agencies to leverage in developing segment architectures;

- ◆ By request, the DOI Chief Architect and members of the staff regularly speak about DOI's EA program at the Federal Enterprise Architecture Certification Institute National Defense University's CIO and EA certification courses and the U.S. Department of Agriculture Graduate School; and
- ◆ Outreach and information sharing sessions with over 25 Federal, state, and local government agencies, as well as five foreign governments, for sharing best practices and helping the EA community.

FY 2007 Accomplishments

- ◆ Interior achieved the highest rating from the GAO in an assessment of 28 Federal agencies against the GAO Enterprise Architecture Management Maturity Framework. This rating indicated the IEA program had fully achieved more of the evaluation criteria than any of the other agencies assessed.
- ◆ Two IEA blueprints, Human Resources and Management Planning NEPA were approved by the IRB in June 2007.
- ◆ Interior's EA Program generated international interest. The IEA program has provided information sharing sessions on its methods and achievements to representatives from Singapore and South Korea. Interior's Chief Architect has also been the keynote speaker at EA conferences sponsored by government agencies.
- ◆ MBT and DEAR Training - Training sessions in the Denver, Colorado, and Washington, DC, metro areas were held to train architects and other stakeholders on using MBT and DEAR.
- ◆ Improved EA Governance and Management oversight by instituting semi-annual reporting of Bureau EA Maturity Assessments.

FY 2008 Planned Activities

The main focus for the IEA in 2008 is on developing an IT infrastructure modernization blueprint. The goal is to optimize Interior's IT infrastructure assets and improve overall management, operations, and

security. The Department currently spends about \$500 million on IT infrastructure investments per year. Interior will take a two-pronged planning approach that will result in a tactical roadmap and a strategic IT infrastructure modernization blueprint. At the same time, Interior will be aligning its planning initiatives to comply with the OMB lead IT infrastructure Line of Business. The ITI LoB will establish benchmarks for cost and performance that all Federal agencies are expected to meet. Some of the areas that will be reviewed are end-user computing, desktop and support services, data centers, networks and telecommunications. Security concerns for all of these areas will also be addressed along with asset management.

As with all blueprints, the IEA program will work closely with the appropriate business and IT representatives across Interior in the development and eventual implementation of the IT infrastructure roadmap and blueprint.

Financial Management Human Capital

The Department of the Interior's financial management community continues to face major workforce challenges. The decade of the 1990s brought significant legislation and increased responsibilities for the entire Federal financial management community. The need to expand knowledge and expertise by the financial community continued with the requirements of the PMA, and, more recently, OMB's revised Circular No. A-123, Appendix A. In addition to the Governmentwide initiatives, Interior is also engaged in a Departmentwide effort to implement a fully integrated FBMS.

It is imperative that Interior have an adequate number of highly qualified financial management personnel. These individuals must have the competencies required to successfully transition to and implement FBMS, as well as the ability to lead a world-class finance organization in the future. The need for a highly-qualified financial management workforce comes at the same time that many "baby boomer" supervisors, managers, and executives reach retirement age.

A financial management workforce plan was completed and published at the end of 2004. Interior's Chief Financial Officer Council approved the plan's major recommendations and established a Workforce Steering Committee in early 2005. The workforce plan's four major recommendations are:

- ◆ A strategic focus on new employee recruitment;
- ◆ Retention of employees who have or can develop needed competencies;
- ◆ Career paths to develop employees at all levels of experience with "workforce of the future" skills; and,
- ◆ Training and professional development opportunities for both technical/analytical skills and business/organization skills to enhance competencies and develop employees who are flexible and versatile.

Interior established the R. Schuyler Leshner Financial Management Career Intern Program in 2002 to recruit and train entry-level professionals in accounting and financial analysis for the Department and the bureaus. Each year Interior's financial management community partners with DOI University to recruit a new class of high potential entry-level accountants and financial analysts to participate in this career development program.

FY 2007 Accomplishments for the Intern Program

- ◆ Recruited 6 new interns for the Class of 2007;
- ◆ Completed the first year of training and development for the 2006 FMCIP Intern class (five interns);
- ◆ Graduated the FMCIP Class of 2005 (four members);
- ◆ Conducted outreach activities at geographically dispersed colleges and universities with diverse student populations. Recruited at career fairs in the South (Texas), the West (Colorado), the Southeast (Florida), Mid-Atlantic (DC and Virginia), the Northeast (New Jersey);

- ◆ Executed a Fall 2006/Spring 2007 recruitment strategy;
- ◆ Participated in Office of Personnel Management forum on best practices in recruitment; and
- ◆ Led panel on acquisition intern programs at the Federal Acquisition Conference and Exposition.

The 2005 intern classes completed the following courses:

- ◆ Auditing Fundamentals
- ◆ Critical Thinking Problem Solving
- ◆ Internal Control
- ◆ Essentials of Analysis
- ◆ Congressional Operations Seminar
- ◆ Leading and Managing Change
- ◆ Leadership Skills & Techniques
- ◆ Briefing & Presentation Skills

The 2006 intern classes completed the following courses:

- ◆ Dollars and Sense
- ◆ Government Budget & Accounting
- ◆ Multi-generational Workforce
- ◆ Mentoring
- ◆ Budget Analyst's Guide for Formulation
- ◆ Auditing Fundamentals
- ◆ Basic USSGL
- ◆ Appropriations Law
- ◆ Briefing & Presentation Skills
- ◆ Government Environment

FY 2008 Planned Actions for the Intern Program

- ◆ Increase the number of participating Interior bureaus in the FMCIP Class of 2008
- ◆ Recruit a new class of interns; and
- ◆ Continue providing training opportunities for the class of 2007 and 2006.

Sponsoring Comprehensive Training and Career Development Programs in Financial Management

The other critical component of Financial Management Human Capital is to provide appropriate training and professional development opportunities to existing financial management personnel so that they are prepared to carry out their growing responsibilities. The Financial Management Workforce Plan noted specific competencies Interior's workforce must develop to support both the implementation of the FBMS and a successful transformation to a world-class finance organization. The plan emphasized the need for a simultaneous focus on competency training and development for both the current transition period and for the future.

The Financial Management Workforce Plan recommends a comprehensive financial management career path program, with career paths defined at multiple levels. Interior has already implemented an entry-level phase of the Financial Management Career Paths Program with the FMCIP. Initial work has begun on the design and development of a competency model. The competency model will be used to develop and implement the mid-level, senior-level, and executive-level components of this comprehensive program.

Due to budget constraints the Business Management Conference was not held in FY 2007. This conference allows the financial community to discuss issues that cross bureau lines and meet face-to-face with those individuals that they normally only hear as a voice on a conference call. The Conference is planned to be held in FY 2008 which will afford financial management staff with an opportunity to network, attend sessions on subjects of common interest, and discuss common issues among themselves.

Many of the individuals active in the implementation of the Financial Management Workforce Plan are from the "baby boomer" era and several retired during FY 2007. New individuals have been named to assist in the effort to implement the Plan.

FY 2007 Accomplishments

- ◆ Completed a Departmentwide financial management skills gap analysis based on the Financial Management Competency Model.
- ◆ Department of the Interior University sponsored the following finance-related courses:
 - Basic Standard General Ledger Accounting;
 - Federal Appropriations Law;
 - Intermediate Standard General Ledger;
 - Internal Controls; and
 - Understanding Budget Formulation and Execution.

FY 2008 Planned Actions

- ◆ Conduct a Financial Management needs assessment
- ◆ Begin to design the Financial Management Career Paths curriculum

Financial Data Stewardship

Financial data stewardship is the process of managing information needed to support program and financial managers, and ensures that data captured and reported is accurate, accessible, timely, and usable for decision-making and activity monitoring. The objective of data stewardship policy is to synchronize data collection processes, reduce data redundancy, and increase data accessibility, availability, and flexibility in a systematic manner. Effective data stewardship requires that (1) definitions clearly describe requirements and characteristics of data to be maintained in financial management systems; (2) data are created, recorded, and reported in compliance with definitions; and, (3) feedback is provided when data are inadequate to meet user needs for information. Additionally, data assurance must provide attestation to, or comments on, the integrity of the information in the system.

The Office of Financial Management provides overall coordination of data stewardship functions for financial data in Interior. The data stewardship function involves two levels of activities: (1) participating in setting Government-wide financial data standards; and (2) setting financial data standards in coordination with the bureaus' finance operations.

PFM participates in Government-wide financial data standard setting activities and coordinates with the Standard Accounting Classification Advisory Team on setting standards for financial data for use throughout Interior. PFM monitors the Departmentwide data definition process, monitors data creation and compliance processes, ensures data usage relies on information derived from data consistent with the intended definition, and ensures adjustments are made to data definitions when it is inadequate to meet user needs. In addition, PFM participates in the development and implementation of the FBMS and Activity Based Costing/Management. This function also coordinates Departmental financial data definitions with the three key Government-wide financial data standard setting groups—the Financial Management Service's USSGL Board, the Federal Accounting Standards Advisory Board, and OMB.

To coordinate the establishment and implementation of financial data standards in Interior, the bureaus and PFM have chartered the SACAT, under the leadership of the Finance Officers' Partnership, to establish and maintain a common approach among the bureaus for addressing USSGL issues that relate to accounting policy and procedures, reporting requirements, internal controls, and SGL maintenance.

In addition to the SACAT, Interior has developed a Financial Statement Guidance Team. The FSGT is comprised of the various bureaus of the Department and deals with issues and concerns related to the preparation of the performance and accountability report and implementation of OMB Circular No. A-136, *Financial Reporting Requirements*.

FY 2007 Accomplishments

- ◆ Established project team to review bureau revenue source codes, standardize codes, and create a handbook for transition to FBMS.
- ◆ Reviewed existing Budget Object Class designations and User Product Codes to prepare for revision of Handbook in 2008.
- ◆ Revised the Inter/Intra Agency Handbook to reflect the changes in Treasury business rules.
- ◆ Provided support to BLM and NBC in reviews of their internal processes to identify areas of opportunity for strengthened financial management.
- ◆ Published multiple issue papers to facilitate the issuance of new or improved financial management and accounting policies for intra-governmental activity.
- ◆ Published issue paper to facilitate Parent/Child reporting due to the changes in OMB Circular No. A-136.
- ◆ Prepared Department responses to Federal Accounting Standards Advisory Board issues related to Oil and Gas reporting, National Aeronautics and Space Administration Research and Development Reporting, Inter-Entity Costs, and Heritage Asset and Stewardship Land Reporting,
- ◆ Established Condition Assessment Guidelines for U.S. Department of the Interior Library Collections.
- ◆ Participated in FASAB's Inter-Entity Cost Task Force to develop a draft technical release in support of Statements of Federal Financial Accounting Standards #4, *Managerial Cost Accounting Concepts and Standards*, and SFFAS #30, *Inter-Entity Cost Implementation*.
- ◆ Continued to analyze and enhance the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Performance and Accountability Report.

- ◆ Coordinated the reconciliation of intra-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies to ensure compliance with new Intragovernmental Business Rules.
- ◆ Worked closely with the FBMS Executive Steering Committee to monitor implementation progress; address and resolve accounting and reporting issues; and ensure appropriate internal controls are planned, implemented, and functioning as intended.
- ◆ Worked with Department of Homeland Security in conjunction with the United States Coast Guard, and U.S. Army Corps of Engineers to resolve reporting issues related to the Sport Fish Restoration Boating Trust Fund to ensure compliance with OMB Circular No. A-136.
- ◆ Continued to communicate with several agencies on elimination issues (Department of Energy, Agency for International Development, Department of Defense, Department of Labor, Department of Commerce, The Smithsonian Institution, and National Aeronautics and Space Administration).

FY 2008 Planned Activities

- ◆ Continue to analyze and enhance the reporting process to support performance reporting under GPRA and the timely preparation of the Annual Performance and Accountability Report.
- ◆ Continue to coordinate and prepare Department responses to draft FASAB, OMB, and Treasury financial reporting guidance.
- ◆ Continue to coordinate the reconciliation of intra-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies.
- ◆ Continue to work closely with the FBMS Executive Steering Committee to monitor implementation progress; address and resolve accounting and reporting issues; and ensure appropriate internal controls are planned, implemented, and functioning as intended.
- ◆ Continue to work with bureaus to fully implement ABC/M throughout the Department.