

Message from the Chief Financial Officer



In FY 2006, the Department of the Interior (Department) continued its journey towards management excellence by refining the definition of progress and increasing the levels of accountability. Details on our journey towards management excellence are captured in the Department's FY 2006 Performance and Accountability Report (PAR). The PAR provides the Department's most important financial and performance information. It is also our principal publication and report to Congress and the American people. This report details program leadership and stewardship of the resources and public funds entrusted to us.

I am pleased to report that for the tenth consecutive year we have received an unqualified (“clean”) opinion on the Department's consolidated financial statements from our auditors. This is the best possible audit result and affirms our commitment to financial reporting excellence. Along with this opinion, the Department had other noteworthy accomplishments in FY 2006. The Department:

- Received the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting for FY 2005. This marks the fifth consecutive year that the Department has been recognized for quality reporting;
- Issued a revised FY 2007 – FY 2012 unified Strategic Plan for the Department. The new strategic plan integrates and aligns bureau responsibilities under four major mission goals—resource protection, resource use, recreation, and serving communities—and will tie budget to performance;
- Met or exceeded 67% of the 209 performance outcome measures from our GPRA Strategic Plan. This is the third year we have reported on our performance against these measures. In FY 2005, we met or exceeded 76.2% of our measures; in FY 2004, we met or exceeded 70.4% of our measures;
- Continued implementation of new human resource strategies and processes. We have changed the employee performance management system to create a linkage to the Department's Strategic Plan goals and measures. This ensures that every employee's daily activities are aligned to improve service delivery and produce mission results. Our Human Capital Management Strategic Plan has identified challenges in such critical areas as Indian trust management, wildland fire management, and law enforcement;
- Continued implementation of an Activity-Based Costing/Management (ABC/M) system throughout the Department. The ABC/M system includes 316 crosscutting work activities that bureaus and Departmental offices either use directly, or to capture costs associated with specific work activities. ABC/M provides program and financial managers with the information needed to manage resources, monitor performance and evaluate outcomes effectively;
- Continued development and implementation of the Department's Financial and Business Management System (FBMS). The FBMS replaces Interior's legacy accounting and business systems while providing standard business practices supported by a single, integrated financial management system;

- Developed and published, in partnership with bureau asset management professionals, an approved asset management plan. This plan provides asset management policies and guidance, and documents the requirements for inventory and condition assessment of real property and facilities. The Department manages nearly every type of facility found in America's towns and cities—we have wastewater treatment plants, dams, electric generating facilities, houses, hotels, campgrounds, roads, boat docks, stables, and landfills. Understanding our assets and their condition, while managing them responsibly allows us to direct our resources to best serve the public;
- Made significant progress toward achieving the President's Management Agenda goals. We improved our status for E-Government and Real Property Management from red to yellow. While our status for Financial Management remains red, OMB has recognized our efforts to improve during the year, particularly in the area of correcting material weaknesses, and our progress score has been raised from yellow to green;
- Corrected two and downgraded two of the FMFIA material weaknesses carried over from FY 2005. We also corrected or downgraded 100% of the material weaknesses reported in the FY 2005 financial statement audits. One FMFIA material weakness is carried over into FY 2007. For a complete understanding of these issues and our commitment to accountability, please see the "Compliance with Legal and Regulatory Requirements" section;
- Exceeded our annual performance goal of implementing 85% of GAO and OIG audit recommendations scheduled for completion in this fiscal year. For FY 2006, Interior achieved an actual implementation rate of 91%; and
- Complied with the new requirements of OMB Circular A-123 Appendix A by documenting and testing the Department's internal controls over financial statements and issuing an unqualified assurance statement related to their effectiveness.

Our journey towards management excellence requires the ongoing commitment and creativity of Interior's dedicated employees. During FY 2007, mission, metrics, and management will continue to be the foundation on which we achieve results. We plan to strengthen this foundation and our "mission" by establishing clear goals, refining performance measures, and aligning our workforce to effectively achieve those goals.



R. Thomas Weimer
Chief Financial Officer
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