

Message from the Chief Financial Officer



In FY 2004, the Department of the Interior continued on a journey toward management excellence—excellence defined by results. Our journey is self-propelled as each of us shares this aspiration for excellence. It is also driven by growing demands for greater transparency, accountability, effectiveness, and efficiency.

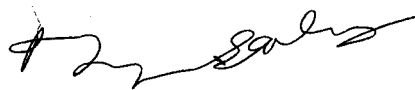
Progress for much of our journey toward management excellence is captured in the Department's FY 2004 Performance and Accountability Report (PAR). The PAR provides our most important financial and performance information for the Department of the Interior. It is also our principal publication and report to Congress and the American people on our stewardship, management, and leadership of the public funds entrusted to us.

I am pleased to report that for the eighth 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 2004. The Department:

- Received the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting. This marks the third year in a row that the Department has been recognized for quality reporting.
- Commenced implementation of the unified Strategic Plan for the Department of the Interior. Nearly two years in the making, this plan replaced eight separate bureau plans. The new strategic plan integrates and aligns bureau responsibilities under four major mission goals—resource protection, resource use, recreation, and serving communities—and emphasizes results and performance management.
- Met or exceeded 63% of the 226 performance measures monitored from our new Strategic Plan. This is the first year we have reported on our performance against almost an entirely new set of performance measures. Last year we were able to meet or exceed 66% of the 323 performance measures monitored, but these measures from our previous Strategic Plan were less rigorous and often focused on outputs rather than outcomes.
- Implemented new human resource strategies and processes to align our talented workforce to meet new and expanding challenges. Our Human Capital Management Strategic Plan identified Indian trust management, wildland fire management, and law enforcement, including homeland security, as growing challenges.
- Initiated an Activity-Based Costing/Performance Management (ABC/PM) system throughout the Department. Interior's ABC/PM system includes 326 crosscutting work activities that bureaus and departmental offices either use directly, or use to capture costs associated with bureau/departmental work activities. ABC/PM provides program and financial managers with the information they need to allocate resources and monitor and evaluate performance effectively.

- Selected an enterprise-wide software and system integrator for the Department's Financial and Business Management System (FBMS). The FBMS will replace Interior's antiquated accounting and business systems and provide standard business practices supported by a single, integrated finance and business system. During FY 2004, over 500 Interior staff helped create a Departmental blueprint, a road map for implementing the FBMS. Bureaus will phase in deployment over several years with system completion anticipated by the end of 2008.
- Embarked on major efforts to inventory our facilities, assess their condition, and develop asset management systems. 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 even landfills. By knowing what we have and managing it well, we can better serve the public.
- Achieved cost savings and increased information technology (IT) security through better cross-departmental information technology management. Interior tested the industry-recognized top 20 categories of external vulnerabilities on an on-going basis and, in just 15 months, reduced its vulnerabilities from 957 per month to 0 in April 2004. IT system security accreditation and certifications soared from 21% in March 2004 to 98% by September 2004.
- Made advances in implementing the President's Management Agenda. Specifically, we improved our Executive Scorecard status rating in FY 2004 in the areas of Strategic Management of Human Capital and E-Government, as well as significantly improving our progress ratings for Budget and Performance Integration, E-Government, and Financial Performance.
- Corrected or downgraded five out of six (83%) Federal Managers' Financial Integrity Act material weaknesses targeted for correction in FY 2004 as well as two additional material weaknesses, targeted for correction in FY 2005, ahead of schedule. We also corrected or downgraded 7 of 14 (50%) material weaknesses reported in the FY 2003 financial statement audit opinions which were targeted for correction in FY 2004 (three additional material weaknesses were not targeted for correction until FY 2005).

Sustaining our efforts toward management excellence requires the ongoing commitment and creativity of Interior's dedicated employees. In the upcoming year, mission, metrics, and management will continue to lie at the center of achieving results. We plan to better focus our "mission" by identifying clear goals and performance measures and aligning our workforce to better focus on those goals.



P. Lynn Scarlett
Chief Financial Officer

November 15, 2004