

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 (FMFIA)
- Federal Financial Management Improvement Act (FFMIA)
- Inspector General Act Amendments (Audit Follow-Up)
- Improper Payments Information Act (IPIA)
- Federal Information Security Management Act (FISMA)
- Other key legal and regulatory requirements including the following:
 - Prompt Payment Act
 - Debt Collection Improvement Act
 - Biennial review of user fees

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

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

Federal Managers' Financial Integrity Act (FMFIA)

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 the following:

- 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
- Reliable, complete, and timely data are maintained and used for decision-making at all levels.

Interior's management control program is designed to ensure full compliance with the goals, objectives, and requirements of the FMFIA and Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, including Appendix A of OMB Circular A-123 on Internal Control over Financial Reporting; OMB Circular A-127, Financial Management Systems, and OMB Circular A-130, Management of Federal Information Resources.

Management Assurances

The FMFIA requires agencies to provide an annual statement of assurance regarding the effectiveness of management, administrative, and accounting controls over financial systems. This year, 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 of this fiscal year and for each subsequent year. Interior's FY 2006 Annual Assurance Statements are provided in Figure 1-58 and 1-59. The basis for the two assurance statement conclusions are discussed in the following sections.

Internal Control Assessments

Interior conducted an annual assessment of the effectiveness of management, administrative, and accounting systems controls in accordance with FMFIA and OMB guidelines. The conclusions in the

FIGURE 1-58

FISCAL YEAR 2006 ANNUAL 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 (FMFIA). 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 requirement of the Office of Management and Budget Circular No. A-123, Management's Responsibility for Internal Control (OMB A-123). Interior can provide, based on the results of this assessment, reasonable assurance that its control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2006, was operating effectively and that no material weaknesses were found in the design or operation of the internal controls.

In addition, Interior conducted an 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 A-123. Interior can provide, based on the results of this assessment, reasonable assurance that its internal control over financial reporting as of June 30, 2006, was operating effectively and no material weakness were found in the design or operation of the internal control over financial reporting. Further, subsequent testing through September 30, 2006, 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 component requirements of the Federal Financial Management Improvement Act.



Dirk Kempthorne
Secretary of the Interior
November 15, 2006

FIGURE 1-59

ASSURANCE ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AS OF JUNE 30, 2006

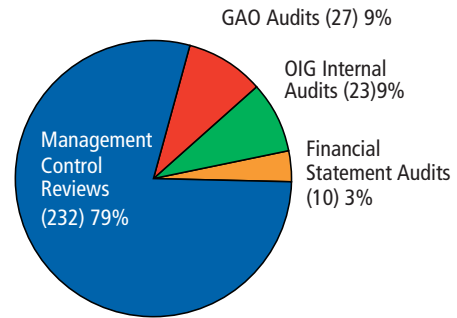
Interior's management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. Interior conducted an evaluation of the effectiveness of its internal control over financial reporting in effect as of June 30, 2006, in accordance with the requirements of OMB Circular A-123, Management's Responsibility for Internal Control, dated December 21, 2004, and the CFO Council's Implementation Guide dated July 31, 2005. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over financial reporting as of June 30, 2006, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

R. Thomas Weimer

R. Thomas Weimer
Assistant Secretary, Policy,
Management, and Budget, and CFO
November 15, 2006

FIGURE 1-60

Basis for FY 2006 Assurance Statement



Secretary's Annual FMFIA Assurance Statement are based on the results of 232 internal control reviews of programs and administrative functions conducted by bureaus and offices (79%); 23 Office of the Inspector General internal program audits (9%); 27 Government Accountability Office program audits (9%); and the 10 financial statement audits (3%) conducted by the independent public accounting firm, KPMG LLP, under the auspices of the Chief Financial Officers Act (CFO Act) of 1990 and the Government Management Reform Act (GMRA) of 1994 (see Figure 1-60). As in

FIGURE 1-61

Crosswalk of Activities Related to Major Management Challenges

Management Accountability and Integrity Program Activities in FY 2006 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, & Emergency Management	Maintenance of Facilities	Responsibilities to Indian & 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	Federal Real Property Asset Management	Research and Development	Energy Management	Transportation (Fleet)	Environmental Management
Management Control Reviews/Management Studies and Initiatives	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
OIG Audits																		
- Program Audits Completed	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓				
- Financial Statement Audits Completed	✓					✓	✓	✓	✓		✓	✓	✓					
GAO Audits Completed	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓			✓
FMFIA Material Weaknesses																		
- Corrected or Downgraded During FY 2006	✓		✓		✓						✓							
- Pending and Carried Forward to FY 2007		✓		✓							✓							

FIGURE 1-62

Number of FMFIA Material Weaknesses Reported and Corrected or Downgraded			
Reporting Period	Reported	Corrected or Downgraded	Pending at Year End
Prior Years	172	161	11
FY 2003	0	1	10
FY 2004	1	7	4
FY 2005	1	0	5
FY 2006	0	5	0
Total	174	174	0

prior years, internal control reviews performed by the Department and its bureaus provided the majority of the support (79%) for the Annual FMFIA 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 1-61 presents a crosswalk of those activities.

FMFIA Material Weaknesses and Accounting System Nonconformances

OMB Circular A-123, Management's Responsibility for Internal Control, 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 noted in Figure 1-65. Interior recognizes the importance of correcting material weaknesses in a timely manner. The Department and senior program management officials continuously monitor corrective action progress for all material weaknesses. Prior to FY 2006 and since the inception of the FMFIA in 1982, Interior identified and reported 174 material weaknesses and 65 accounting system nonconformances. Prior to FY 2006, Interior corrected 169 of the material weaknesses (98%) and all of the accounting system nonconformances. At the beginning of FY 2006, Interior had five FMFIA material weaknesses pending correction carried forward from the previous year.

The Department is instituting a reporting practice in FY 2006 consistent with the December 2004 revision to OMB A-123 and OMB A-136 Financial Reporting Requirements, to only report Department-level ma-

FIGURE 1-63

Number of Material Non Conformances Reported and Corrected or Downgraded			
Reporting Period	Reported	Corrected or Downgraded	Pending at Year End
Prior Years	65	64	1
FY 2003	0	0	1
FY 2004	0	1	0
FY 2005	0	0	0
FY 2006	0	0	0
Total	65	65	0

terial weaknesses. Bureau-level material weaknesses will continue to be reported internally and actively monitored for timely corrective action. Therefore, as shown in figure 1-64: 2 FMFIA material weaknesses were corrected (Inadequate Department-wide Maintenance Management Capability and Controls Over Implementing New Accounting Policies and Procedures); 1 FMFIA material weakness was downgraded to a reported condition (Indian Trust Assets); 2 FMFIA material weaknesses are being carried at the bureau level (Inadequate Wireless Telecommunications and Indian Detention Facilities). As a result, Interior has no Departmental FMFIA material weaknesses to carry over to FY 2007 for Management's reporting purposes, but will continue to monitor their implementation internally.

The Department's progress in correcting FMFIA material weaknesses and accounting system nonconformances is presented in Figures 1-62 and 1-63. These figures present the number of material weaknesses and accounting system nonconformances reported and corrected by fiscal year-end.

Departmental Goal for Timely Correction of Material Weakness.

Interior is committed to the timely correction of material weaknesses in order to improve integrity and accountability in its programs, organizations, and functions. To ensure that the material weaknesses identified and reported in the FMFIA program are corrected in a timely manner, the Department established a performance goal for FY 2006 to complete 100 percent of the material weaknesses targeted for completion in FY 2006. Based on the correction of the two FMFIA material weaknesses scheduled for

FIGURE 1-64
FMFIA Material Weaknesses as of September 30, 2006

Bureau	Date First Reported	Description	Corrective Actions	FY 2006 Progress	FY 2005 PAR Target Date	Status
OST BIA OS/OHTA	FY 1991	<p>Indian Trust Assets: The OST's 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 include: OHTA's historical accounting; and strengthening the existing system of controls to ensure that BIA 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>Bureau of Indian Affairs (BIA) - 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 TAAMS 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>Office of Historical Trust Accounting (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>Office of the Secretary (OS) coordinated efforts with BIA, OHTA, and OST to access the Trust weaknesses identified as potential findings in subsequent audit reports.</p> <p>Office of the Special Trustee for American Indians (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 BIA regional directors to oversee the leasing module conversions to the Trust Asset and Accounting Management System (TAAMS). Regarding these conversions 81% of recurring Individual Indian Monies (IIM) income and 73% 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 provided 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>	FY 2008	Downgraded to Reportable Condition — Pending OIG Verification

FIGURE 1-64

FMFIA Material Weaknesses as of September 30, 2006						
Bureau	Date First Reported	Description	Corrective Actions	FY 2006 Progress	FY 2005 PAR Target Date	Status
DOI BIA NPS	FY 2000	Inadequate Wireless Telecommunications: Effective critical to employee and public safety and to the efficient management of parks and public lands. The current wireless telecommunications program in some bureaus does not effectively support bureau and public safety operations and does not comply with Department Management Directives.	The Department will develop and implement a plan to meet employee and public safety objectives and to restore the program to efficiency by reviewing bureau narrowband capital investment and implementation plans; revise plans to maximize supporting infrastructure requirements; and ensure maximum use of alternative wireless services.	<p>The Department has developed an overall plan to increase the efficiency and accountability of the Radio Program through various strategic and tactical goals. During FY 2006, the Strategic Plan will be finalized and an Operational Plan developed. In doing so, the Department will institute a Governance Structure, a comprehensive capital investment business case, baseline analysis, and increased sharing with Federal, State, and local cooperators.</p> <p>Bureau of Indian Affairs (BIA) is completing its South Dakota Statewide Trunk migration project, performed site surveys to determine equipment needs, and purchased and consolidated radio equipment.</p> <p>National Park Service (NPS) continues to make progress on the narrowband conversion project. To date, 110 park units (31%) have been completed and 232 park units (62.2%) have begun the transition process. The remainder of the park units will be addressed and scheduled accordingly.</p>	FY 2010 FY 2009	Downgraded in FY 2004 — Pending OIG Verification — However this is no longer considered a department-wide issue but rather a bureau-specific matter.

FIGURE 1-64

FMFIA Material Weaknesses as of September 30, 2006						
Bureau	Date First Reported	Description	Corrective Actions	FY 2006 Progress	FY 2005 PAR Target Date	Status
BIA	FY 2004	Indian Detention Facilities: Serious safety, security, and maintenance deficiencies exist at most of BIA detention centers. These deficiencies are a hazard to inmates, staff, and the public.	<p>BIA will immediately commence the implementation of the following corrective actions that will improve the security, safety, management, and operating efficiency of detention facilities.</p> <ul style="list-style-type: none"> - The Deputy Assistant Secretary for Law Enforcement and Security will become actively engaged in managing the detention program. - The Department's Office of Law Enforcement Security and Emergency Management will conduct frequent scheduled and unscheduled compliance inspections. - Clear "serious incident" reporting and follow up protocols will be established and implemented. - Facility staffing models will be developed, and shortages related to officer safety should be immediately identified and corrected. - Recruiting standards and guidelines for detention officers will be developed and adhered to. - A system for identifying and prioritizing facilities repairs impacting inmate and officer safety will be implemented. - Internal controls and other improvements for budgeting, cost tracking, and reporting purposes will be developed and implemented. - Strategic plans for jail replacement and renovation based on comprehensive condition assessments will be developed. - Training standards and models for detention offices will be developed and compliance/certification reviews will be conducted. - Regular regional meetings of detention administrators will be held to identify best practices and address and resolve emerging issues. 	<p>The National Policy Memorandum Serious Incident Reporting (SIR) has been approved and distributed in Indian Country. Staffing models have been developed, identifying offices shortages which resulted in increased staffing levels at all BIA-run facilities. In FY 2005, a separate budget was implemented to ensure that expenditures are tracked and justified on a routine basis and that Associate Director and Chief of Detention maintain constant oversight of the budget for each BIA program. Accounting and tracking of contracted bedspace occurred in FY 2006; and District/Regional meetings occurred at District I – Fort Yates, N.D.; Districts II/IV/VI – Towaoc, CO; District III – Maricopa, AZ; and at District V – Polson, MT.</p> <p>Further training for correctional officer armed transport was developed and delivered and recruitment is ongoing at the District/Agency levels based on a plan developed and delivered at Truxton Canon, Blackfeet and Lower Brule agencies.</p>	FY 2007	Downgraded — However this is no longer considered a deepartment-wide issue but rather a bureau-specific matter. Delayed. A targeted correction date of FY 2008 has been assigned by BIA.

FIGURE 1-64
FMFIA Material Weaknesses as of September 30, 2006

Bureau	Date First Reported	Description	Corrective Actions	FY 2006 Progress	FY 2005 PAR Target Date	Status
USGS NPS FWS	FY-1999	Inadequate Departmentwide Maintenance Management Capability: Interior lacks consistent, reliable, and complete information to plan for budget and to account for resources dedicated to maintenance activities.	U.S. Geological Survey (USGS)— Identify and implement a comprehensive maintenance management system with an appropriate linkage to the accounting. NPS and FWS— Conduct comprehensive condition assessments; make determinations to repair, replace, or relocate facilities; repair, replace, and relocate facilities to "good condition"; and reduce deferred maintenance to established goals (5% or less of replacement cost).	Interior adopted MAXIMO as the core management enterprise software system to manage its facilities inventories, condition assessments, work management, and reporting requirements. Interior established the Facility Condition Index as a standard performance measure for bureau management programs. This enables Interior to effectively determine at what pace its facilities condition is improving and how effectively the bureaus are using their maintenance funding. Interior has also developed a 5-Year Deferred Maintenance Plan and Capital Improvement Plan. Based on these plans, condition assessment is under way in all bureaus. All bureaus have completed 100% implementation of the Facilities Maintenance Management System. In FY 2005, this weakness was downgraded to the bureau level for USGS, NPS, and FWS. The bureaus have corrected this weakness.	FY 2006	Corrected
BOR DO	FY 2005	Controls Over Implementing New Accounting Policies and Procedures: Interior had not fully developed accounting policies and procedures to change its processes for recognizing the transfer of funds between Federal entities and had not fully developed posting models by September 30, 2006.	During FY 2005, Interior had developed some accounting policies and procedures. Interior will further develop the policies and procedures and implement them once approved.	Interior applied significant resources and efforts, including coordinating with the U.S. Treasury and OMB to implement OMB's guidance in a relatively short time period.	FY 2006	Corrected

correction in FY 2006, the Department met its 100% goal (see Figure 1-64).

Internal Control over Financial Reporting

The revised Circular A-123, Management's Responsibility for Internal Control, Appendix A, strengthens internal control requirements over financial reporting in Federal agencies. The revised circular provides updated internal control standards and new requirements in FY 2006 for conducting management's assessment of the effectiveness of internal controls over financial reporting. To prepare for FY 2006 compliance with Appendix A, the Department developed an implementation plan that was reported in the FY 2005 Performance and Accountability Report.

In FY 2006, the Department completed an assessment of the effectiveness of internal controls over financial reporting utilizing the plan. 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 decisionmaking processes. Also, the assessment did not disclose any material weaknesses in the Department's financial reporting activities. Although minor deficiencies were found in some financial reporting business processes, the deficiencies were corrected by the end of the fiscal year. The Department's internal controls over financial reporting do assure the safeguarding of assets from waste, loss, and unauthorized use or misappropriation, as well as assure compliance with laws and regulations pertaining to financial reporting (See Figure 1-58, Annual Assurance Statement, paragraph 2).

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

Federal Financial Management Improvement Act (FFMIA)

The Federal Financial Management Improvement Act builds upon and complements the CFO Act, the GPRA, and the GMRA. The FFMIA requires that Federal agencies substantially comply with applicable Federal accounting standards, the government-wide Standard General Ledger (SGL), and Federal financial management system requirements that support full disclosure of Federal financial data, including the costs of Federal programs and activities.

Federal agencies are required to address compliance with the requirements of the 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 Auditor 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 2006 Department financial statement audit report did identify reportable conditions concerning applicable Federal accounting standards, the Department substantially complies with Section 4 of the FFMIA and the FFMIA.

Highlights of FFMIA Improvement Plan.

In our view, the issues identified by the auditors are not substantial or represent a different interpretation of the standard. We have been working with the Federal finance community to draft interpretations and establish consistent criteria for determining substantial compliance.

Inspector General Act Amendments (Audit Follow-up)

Interior believes that the timely implementation of OIG and GAO 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, Interior has instituted a comprehensive audit followup 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 2006, Interior

FIGURE 1-65

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 judgement, 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.

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, and the remaining actions are minor in scope and 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.

monitored a substantial number of new Single Audit (319), OIG (23), and GAO (27) audits. Audit follow-up actions include analyzing audit reports referred; advising grantors of audit findings; tracking, reviewing, and validating audit recommendations; developing mutually acceptable and timely resolution to disputed audit findings and recommendations; and monitoring the recovery of disallowed costs.

Departmental Goal for Timely Implementation of Audit Recommendations

To further demonstrate the importance of timely implementation of OIG and GAO audit recommendations, Interior established an aggressive performance goal of implementing 85% of all GAO and OIG prior year recommendations where implementations were scheduled to occur within the year. We also included audits conducted under the CFO Act issued in FY 2006 that were completed in FY 2006. In addition, our methodology also reflects the number of FY

2006 report recommendations in both the numerator and the denominator that were scheduled for completion after FY 2006 but were implemented in FY 2006, including the FY 2006 CFO recommendations classified as completed by the OIG.

In FY 2006 Interior exceeded its performance goal with a composite implementation rate of 94% (Figure 1-66). The primary reason for Interior's success in achieving the performance goal for the fourth consecutive year is the aggressive progress monitoring process. Monthly and quarterly follow-up program management control and monthly audit followup program progress scorecards are prepared for each bureau and office to ensure that audit recommendation implementation commitments are being met, and that senior management attention is directed immediately to slippage when it occurs. This same aggressive progress monitoring will continue in FY 2007 to ensure achievement of the performance goal.

Single Audits

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 nonprofit organizations. Under the provisions of the Single Audit Act, the grantees' financial operations, management control structure, and level 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 followup, are forwarded to the Department for distribution to the appropriate bureaus for audit followup, 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.

Collecting and Offsetting Disallowed Costs in Single Audits

As shown in Figure 1-67, Interior closed 21 of 67 (31%) audits in tracking during FY 2006. There were 19 audits referred for tracking with \$4.8 million in disallowed costs. The \$4.8 million in disallowed costs recovered represented about 17% of total disallowed costs in tracking during the year. Of the 46 audits in tracking at the end of the year, 16 (35%) had management decision dates greater than 1 year old. As in previous years, the Department plans to continue its aggressive monitoring and followup activities during FY 2007 to close the number of audit reports with disallowed costs.

Internal Audits

Internal audits are OIG-conducted audits of Interior's programs, organizations, and financial and administrative operations. During FY 2006, 43 audits were being tracked (20 audits carried over from FY 2005 and 23 new audits were referred for tracking during FY 2006), and 24 (55%) of those audits were closed. A total of 539 recommendations from OIG internal audit reports were in tracking during the year, of which 437 (81%) were completed or closed during FY 2006. For the 19 audits pending at the end of FY 2006, 138 recommendations await final implementation action.

One category of OIG internal audits, FBU audits, presents recommendations to improve efficiency and where funds can be put to better use. Interior tracks the successful implementation of FBU audit recommendations and FBU dollar estimates, which are agreed to by management. As noted in Figure 1-68, there were three audits with \$48.4 million in FBU dollars tracked during FY 2006.

GAO Audits

GAO audits are a major component of Interior's audit followup program workload and cover a variety of programs, operations, and activities. A total of 22 GAO reports with 69 recommendations were carried over from FY 2005. During FY 2006, GAO issued a total of 27 new reports with 23 recommendations.

FIGURE 1-66

FY 2006 Departmental Performance Goal for Implementation of OIG and GAO Audit Recommendations			
Bureau/Office	Number of Recommendations Meeting Dept. Goal Criteria	Number of Recommendations Implemented Within Planned One Year Target	Percentage Implemented
BIA	89	84	94
NPS	101	101	100
FWS	24	24	100
BLM	25	22	88
MMS	10	9	90
OSM	4	4	100
BOR	34	32	94
USGS	25	25	100
OS (Dept)	188	169	90
PIA (Dept)	1	1	100
OST (Dept)	10	9	90
TOTAL	511	480	94

The Department was successful in closing 36 of the 67 reports in tracking during FY 2006 (Figure 1-69).

Audited Financial Statement Results

As required by the GMRA, Interior prepares consolidated financial statements. Beginning in FY 2001, these financial statements have been audited by KPMG LLP, an independent public accounting firm (the OIG audited the financial statements prior to FY 2001). Additionally, each individual bureau prepares 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 2006 and FY 2005 financial statement audit process are summarized in Figure 1-70. As shown in the table, Interior again achieved an unqualified audit opinion for the Department's consolidated financial statements.

In one instance, internal control over financial reporting was noted as a material weakness (Figure 1-71). The Department does not concur and believes a variety of actions have been taken to significantly

improve internal control activities and systems for Indian trust. Extensive amounts of documentation were provided to the auditors. The audit identified two instances where non compliance with laws and regulations occurred. The department concurs with one of the findings (See Figure 1-72) .

Status of Resolution of Internal Control Weaknesses and Noncompliance Issues Reported in FY 2006 and FY 2005 Audited Financial Statements

Figures 1-71 and 1-72 summarize the status of material weaknesses and noncompliance issues reported in the FY 2005 audited financial statements. As noted before, based on OMB Circulars A-123 and A-136, for FY 2006, we will report only Department-level material weaknesses and noncompliances. Implementation of bureau-level material weaknesses and noncompliances will continue to be monitored internally. 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 Department made progress in correcting material weaknesses reported in the FY 2005 audits. In summary, one of two Department-level material weaknesses reported in FY 2005 financial statements were corrected during FY 2006.

The Department made progress in correcting noncompliance issues reported in the FY 2005 audits. In summary, two of four noncompliance issues reported in FY 2005 financial statements were corrected during FY 2006.

Figures 1-71 and 1-72 present summaries of each of the material weaknesses and noncompliance issues reported in the Department’s consolidated FY 2006 and FY 2005 financial statement audit opinions. A total of one material weakness is

FIGURE 1-67

FY 2006 Summary of Actions Taken on Contract, Grant, and Single Audits with Disallowed Costs			
		Number of Reports	Disallowed Costs
(A) Opening balance as of October 1, 2005, restated		33	\$12,566,769
(B) Post FY 2005 Opening balance correction		15	\$3,908,064
(C) FY 2005 Audits		19	\$4,851,453
(D) Amounts reinstated		-	\$3,278,402
Total tracked during FY 2006		67	\$24,604,688
(E) Final actions taken during FY 2006		21	\$4,261, 726
	Collected	9*	(\$2,211,977)
	Written Off	1*	(\$24,140)
	Offset	3*	(\$245,177)
	Reinstated	6	(\$3,278,402)
	Referred to Treasury for Collection Action noncollectable	8	(1,780,432)
(E) Ending balance as of September 30, 2006		46	17, 064, 560
	Mgmt Dec < 1 yr old	30	11,803,394
	Mgmt Dec > 1 yr old	16	\$5,261, 166

Note - Data on opening balances for number of reports and disallowed costs as of October 1, 2005, was restated to present information only on reports with sustained costs.

* During FY 2006, final actions taken for some of the 21 reports with disallowed costs were cross-cutting—instances occurred where amounts were collected, offset, reinstated, and/or waived for the same report.

FIGURE 1-68

FY 2006 Summary of Actions Taken with Funds to be Put to Better Use (FBU)			
		Number of Reports	FBU Dollars
(A) Reports on hand at beginning of report period		2	\$38,219,271
(B) New reports received during report period		1	10,200,000
Total reports in tracking		3	\$48,419,271
(C) Reports closed during report period		0	0
(D) Reports in progress at end of report period		3	\$48,419,271
	Mgmt Dec < 1 yr old	1	10,200,000
	Mgmt Dec > 1 yr old	2	\$38,219,271

Note - Includes only audits with monetary impact to Federal funds (excludes audits of non-Federal funds for insular area governments and indirect cost proposals negotiated).

reported. As mentioned above, the department does not concur with the material weakness.

A total of two noncompliance issues were reported, with none carried over from FY 2005. As mentioned earlier, the Department does not concur with one of the noncompliance issues.

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. Figure 4-2 presents a summary of the major management challenges identified by the OIG and GAO and actions taken to address these challenges to date.

Improper Payments Information Act of 2002

The Improper Payments Information Act (IPIA) of 2002 (P.L. 107-300) requires Federal agencies to carry out a cost-effective program for identifying payment errors and recovering any amounts overpaid. An improper (or erroneous) payment includes any payment that should not have been made, or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirement. Incorrect amounts include overpayments; underpayments (including inappropriate denials of payment or service); any payment made to an ineligible recipient or for an ineligible service; duplicate payments; payments for services not received; and payments that do not account for credit for applicable discounts.

To implement the IPIA, OMB requires agencies to review all programs (meeting OMB's definition of "program") to determine the risk susceptibility of making improper payments and to perform more in-depth assessments for those programs meeting OMB's criteria for "significant erroneous payments." The threshold for significant erroneous payments is erroneous payments exceeding both 2.5% of program payments and \$10 million annually. For all programs meeting the criteria, agencies are required to quantify the amount of erroneous payments using a statistically valid method with a 90% confidence level.

Summary of Risk Assessments and Payment Audits Performed during FY 2006

Based on a series of internal control review techniques, Interior determined that none of its programs is risk-susceptible for making significant improper payments at or above the threshold levels set by OMB. These reviews were conducted in addition to audits under the Single Audit Act Amendments of 1996, the CFO Act of 1990, GAO reviews, and reviews by Interior's Inspector General. Different techniques were used to arrive at this determination: (1) risk assessments of internal controls related to payments for all programs; and (2) pre-payment and post-payment audits and recoveries. Each of the two techniques is summarized in the sections that follow.

Risk Assessments. Interior's Management Control Guidance for FY 2006 required managers to conduct risk assessments of all programs with outlays in excess of \$100 million to determine if any were risk-susceptible for making significant improper payments. In all, 24 major programs were assessed with annual payments totaling \$10 billion. The assessments were used to establish risk profiles for these programs. The results of these reviews concluded that none of these programs pose a high-risk of making significant improper payments based on OMB's criteria. Figure 1-73 presents a summary listing of Interior program outlays reviewed by bureau, and major programs where risk assessments were performed.

Pre- and Post-Payment Audits and Recoveries
Prepayment Audit of Government Bills of Lading (GBLs). Interior has been conducting prepayment audits of freight bills via GBL for a number of years. This effort is required by the Travel and Transportation Reform Act of 1998. Efforts have continued with our bureaus to assure that all freight bills receive pre-payment audits. During FY 2006, prepayment audit contractors identified \$101,583 in savings in the 4,324 government bills of lading reviewed; this amounts to approximately .8% in savings to the government.

The Department coordinated the hiring of an independent recovery audit contractor in May 2003 to be used by all bureaus to conduct a vendor statement review, disbursement audit, and contract compliance audit to ensure compliance with IPIA.

FIGURE 1-69

Summary of Actions Taken in FY 2006 on Reports Issued by the GAO				
		Number of Recommendations		Number of Reports
In tracking as of October 1, 2005		69		22
FY 2005 audits added to tracking system after October 1, 2005		30		18
Issued during FY 2006		23		27
Subtotal		122		67
Closed during FY 2006		(43)		(36)
In tracking as of September 30, 2006		79		31
Code	Status of final reports in tracking	No. of Recommendations	No. of Reports	
D1	Mgmt decisions < 1 yr old	20	8	
D2	Mgmt decisions > 1 yr old	59	23	
D3	Mgmt decision under formal appeal	0	0	

FIGURE 1-70

Summary of FY 2006 and 2005 Financial Statement Audits											
Dept	Unqualified Opinion on Financial Statement		Material Weakness in Report on Internal Controls		Substantial Compliance with Laws and Regulations (Non-FFMIA)		Substantial Compliance with Laws and Regulations (FFMIA)		Substantial Component Compliance with Laws and Regulations (FFMIA) Systems, Accounting, and SGL		
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006 System	FY 2006 Accounting	FY 2006 SGL
Dept	Yes	Yes	No	Yes	No (2,4)	No (1,2,3)	No	No	Yes	No	Yes

(1) DEBT COLLECTION IMPROVEMENT ACT
(2) SINGLE AUDIT ACT

(3) OMB CIRCULAR A-25
(4) OTHER MATTERS RELATED TO POTENTIAL NONCOMPLIANCE

FIGURE 1-71

FY 2006 and 2005 Audited Financial Statements Material Weakness Corrective Action Plan (as of September 30 2006)						
Bureau	Material Weakness Description	Corrective Action	Fiscal Year		Original Target Date	Status
			2005	2006		
DEPT BOR/DO	Control Over Implementing New Accounting Policies And Balances	Improve policies and procedures related to recording assets and liabilities in accordance with OMB Guidance.	X		09/30/06	Completed
DEPT BIA/DO/OST	Control over Trust Funds	FY 2005 - Implement and/or revise controls and procedures to ensure that the Indian Trust Funds' activity and balances are properly and timely recorded, and controls and plans are in place to resolve the other deficiencies noted. FY 2006 - Develop and implement procedures and internal controls to address the deficiencies in controls related to Indian Trust Funds	X	X	11/30/07	Carryover

FIGURE 1-72

FY 2006 and 2005 Audited Financial Statements Noncompliance Corrective Action Plan (as of September 30 2006)						
Bureau	Noncompliance Description	Corrective Action	Fiscal Year		Original Target Date	Status
			2005	2006		
DEPT BIA/BLM BOR/FWS/ NPS/DO	Federal Financial Management Improvement Act (FFMIA)	FY 2005- Improve controls to comply with the U.S. Standard General Ledger at the transaction level. FY 2006- Interior should improve procedures and internal controls to ensure that the financial statements and related disclosures are prepared in accordance with the federal accounting standards.	X	X	9/30/2006	Carryover
DEPT BIA/MMS	Debt Collection Improvement Act of 1996	Establish a process to ensure eligible bureau receivables are referred to the U.S. Department of the Treasury in a timely manner.	X		9/30/2006	Completed
DEPT BIA	OMB Circular A-125, User Charges	Implement policies and procedures that comply with OMB Circular A-25, develop and implement a methodology to track administration costs, and properly charge other Federal entities for the administration costs.	X		9/30/2006	Completed
DEPT USGS	Single Audit Act Amendments	FY 2005- improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments FY 2006- Interior should obtain single audit reports and issue management decisions on audit findings in accordance with the requirements of the <i>Single Audit Act Amendments of 1996</i> and the related OMB A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> .	X	X	9/30/2006	Carryover

The audit base during 2006 for Interior was \$5.73 billion; actual monies identified and recovered were \$520,000 through September 30, 2006.

Interior Plans for FY 2006 – FY 2008. Annual performance goals are established to maintain adequate controls over payment processes to ensure that erroneous payments are minimized. Figure 1-74 displays future plans and current year performance on measures to maintain a focus on recovery efforts. The Department will continue using contractor assistance to perform prepayment audits of bills of lading.

In addition to the measures listed in Figure 1-74, Interior issued management control guidance for FY 2006 requiring bureaus to conduct annual risk assessments of all programs and continued to perform recovery audits throughout FY 2006. During the third quarter of 2006, bureaus completed risk assessments resulting in no programs being identified as high risk.

First Quarter

- Issue management control guidance for FY 2006 requiring bureaus to conduct annual risk assessments of all programs.
- Continue to perform recovery audits.

Second Quarter

- Continue to perform recovery audits.

Third Quarter

- Complete bureau risk assessments.
- Continue to perform recovery audits.

Fourth Quarter

- Review and analyze bureau risk assessment reports to determine if any corrective action plans are necessary, and if so, have the appropriate bureaus provide the plans.
- Continue to perform recovery audits.
- Prepare data to fulfill the reporting requirements of the Improper Payments Improvement Act and OMB for inclusion in Interior’s Performance and

FIGURE 1-73

FY 2006 Outlays by Major Program Area	
Department Bureaus and Offices (Major Programs Listed in Parenthesis)	FY 2006 Outlays (millions)
Indian Affairs (Office of Self-Governance and Self-Determination, Law Enforcement and Security, Indian School Equalization, New School Construction, Facilities Improvement and Repair, Indian Reservation Roads, and Contract Support Funds)	\$1,549
Land Management (Management of Land & Resources, Fire Management, and Oregon and California Grant Lands)	1,279
Reclamation (Water and Related Resources)	948
Fish and Wildlife (Resource Management, Federal Aid in Wildlife Restoration, Cooperative Endangered Species Fund, and Federal Aid in Sport Fisheries)	1,683
Geological Survey (Survey, Investigations, and Research)	922
Minerals Management (Mineral Leasing, Royalty and Offshore Management)	615
National Parks (Operation of NPS, Construction & Maintenance, Land Acquisition and State Assistance, Recreation Fee Permanent Appropriations, and Other Permanent Appropriations)	2,481
Surface Mining (Abandoned Mine Reclamation)	278
Departmental Management (Payment in Lieu of Taxes)	232
Insular Affairs (Compact of Free Association and Payments to US Territories)	138
Total	\$10,125

Accountability Report for FY 2006.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) provides a framework and relevant agency roles to ensure 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 (NIST) to identify minimum standards for operating information systems within the Federal Government.

During FY 2006, Interior identified the following priorities for improving its overall information security posture:

- Publish updated Certification and Accreditation (C&A) standards and IT security policies to maintain compliance with the rapidly evolving standards and guidelines issued by NIST and OMB;
- Develop the Interior Enterprise Security

Architecture (ESA) to enable standardization of network infrastructure and application security architectures across Interior;

- Improve the use of automated tools to support the IT security program, providing for greater productivity from IT security and network operations personnel; and
- Define standards and provide oversight and guidance in the implementation of Internal Control Reviews (ICRs) to ensure compliance with OMB, FISMA, and A-123 requirements across Interior.

By focusing on these priorities, Interior was able to make significant progress in improving and strengthening its overall security posture during FY 2006. In addition to addressing the priorities listed above, the following milestones were achieved:

- All bureau networks were connected to the Enterprise Services Network (ESN). Also, management of bureau networks was consolidated by transferring management responsibilities to the ESN Network Operations and Security Center (NOSC). The center provides full-time (24x7) monitoring and maintenance support for the network. Major network backbone nodes and circuits were migrated to a vendor provided service, which increased overall network performance and security;
- A consolidated, centrally managed remote access solution was developed which supports work-at-home initiatives and continuity of operations. As a result, stronger network perimeter security is achieved for all bureaus and offices within Interior;
- Extensive penetration testing was performed on all bureau networks. Robust network perimeter vulnerability scanning was also implemented. These activities provide for ongoing, proactive monitoring and improvement of Interior’s IT security posture;
- Quality reviews of 54 Certification and Accreditation packages for bureau systems were conducted to

FIGURE 1-74

Erroneous Payments					
	FY 2006 Actual	FY 2006 Plan	FY 2007 Plan	FY 2008 Plan	FY 2009 Plan
Federal Assistance - Percent of Audit Disallowances	17%	5%	10%	10%	10%
Federal Assistance - Percent of Disallowances Returned to Government	99%	70%	80%	90%	90%

ensure compliance with appropriate standards and to establish a consistent level of quality in the C&A documentation of Interior systems;

- Overall awareness of IT security issues was increased by delivering security awareness training to 98% of Interior employees and contractors using IT systems. Sixty-one percent of employees having significant IT security responsibilities received specialized role-based security training;
- In order to ensure consistent interpretation and application of regulatory guidance, on-site FISMA compliance reviews of all bureau and office IT security programs were conducted;
- Interior remained free of significant data losses, breaches of confidentiality, or significant contamination due to cyber attacks or malicious code; and
- Continued integrating the IT security program with Enterprise Architecture (EA), IT Capital Planning and Investment Control (CPIC) and consolidated operations. A streamlined governance process with clearer roles and decisionmaking authority has been established. The Interior Enterprise Architecture (IEA) program was rated #1 by OMB across the Federal Government for two rating cycles in a row. In order to receive a “Green” rating by OMB, agencies must be rated a level 3 for “Completion, Use and Results” of their EAs. Interior’s scores for the 2006 rating was: Completion: 4.5; Use: 4.2; and Results: 3.7.

Interior measures the progress of implementing required security controls using five levels of effectiveness as follows:

- Level 1— control objective documented in 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.

Consistent with results from independent reviews of Interior's IT security program, the policies, processes, and procedures implemented by Interior have resulted in Interior achieving a Level 3.77 maturity when measured against the assessment criteria.

Interior's Office of the Inspector General (OIG) reviewed the OCIO IT security program and found continued improvement within the program, corrective actions addressing the FY 2005 audit issues, as well as other measures taken to achieve FISMA compliance. The OIG specifically noted that eight of ten areas audited for compliance with FISMA had improved over the past two years.

The OIG also addressed good progress made within the system inventory, POA&M, and in IT security language within contracts while stating that DOI is not yet in full compliance with FISMA. They further mentioned high degrees of commitment and dedication from IT security professionals throughout the DOI and evidence of efforts being made to institute needed improvements in the quality of C&A practices and in standardized security configurations, even without adequate resources.

Overall, DOI generally meets the basic requirements of FISMA

Specific milestones achieved or initiated in FY 2006 include:

- **Control Objectives Documented in Security Policy.** Interior has been updating the Departmental Manual (375 DM 19), IT Security Program Plan, IT Security Handbook, and OCIO

Directives relating to IT security policy to reflect new emerging policy requirements and to address new threats due to evolving challenges introduced by new technologies.

- **Security Controls Documented as Procedures.** Certification and Accreditation. Interior has been updating C&A process guides to address rapidly evolving requirements based on new NIST standards. C&A activities have resulted in 98% of systems maintaining full Authority to Operate (ATO) certification and accreditation status by September 2006, including all operational financial systems;

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 (Figure 1-75);

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., and has created/revised STIGS reflecting the current "best-practices" such as securing wireless technologies and managing inventories of wireless enabled devices;

- **Implemented Procedures. Plans of Action & Milestones (POA&M).** The POA&M is the OMB-required, authoritative format for tracking identified weaknesses in IT security programs and systems. Designated Approving Authorities (DAAs), CIOs, and System Owners must review POA&Ms and determine reasonable remediation milestones, schedules, resources, and priorities within their system release plans. Interior implemented a policy for maintaining POA&M entries and has developed POA&M management standards to further strengthen this process;
- **IT Security Awareness, Education, and Training.** Ninety-eight percent of Interior employees and contractors with access to Interior IT systems completed annual IT security awareness training. Interior also deployed an IT security role-based

training capability for use by all bureaus. Sixty-one percent of Interior employees and contractors with significant IT security responsibilities received specialized training;

Incident Response. Policy is established within the Departmental Manual (375 DM 19). In FY 2006, Interior remained free of significant data losses, breaches of confidentiality or significant contamination due to cyber attacks or malicious code;

- Procedures and Security Control Testing and Review.** In addition to C&A Security Test and Evaluations, Interior followed NIST guidance in conducting security self-assessment reviews (NIST SP 800-26) for all systems. Independent technical testing was commissioned via monthly scanning of perimeter network Internet-accessible systems against the SANS Top 20 vulnerability list. In September 2003, almost 100 hosts had vulnerabilities on the SANS Top 20 list. By March 2004, Interior achieved no related vulnerabilities and has maintained that status to this day. In addition, in FY 2006, Interior initiated more robust automated vulnerability scan testing of over 5,000 Internet-accessible systems and network devices against 7,400 types of known vulnerabilities, including the SANS Top 20 vulnerability list. Interior is aggressively addressing newly identified potential vulnerabilities resulting from the more rigorous monthly scanning efforts.

Ninety-three percent (162 of 175) of systems have completed annual requirements testing of contingency plans.

Independent third-party contractor reviews indicate that existing IT security policies, C&A standards, oversight reviews, and POA&M management processes are effective in improving the overall quality of C&A packages, enhancing the effectiveness of management, operational, and technical security controls, and ensuring senior management attention towards correcting weaknesses identified on the POA&Ms; and

- Security Controls Integrated into a Comprehensive Program.** Interior includes all security program budget costs in appropriate

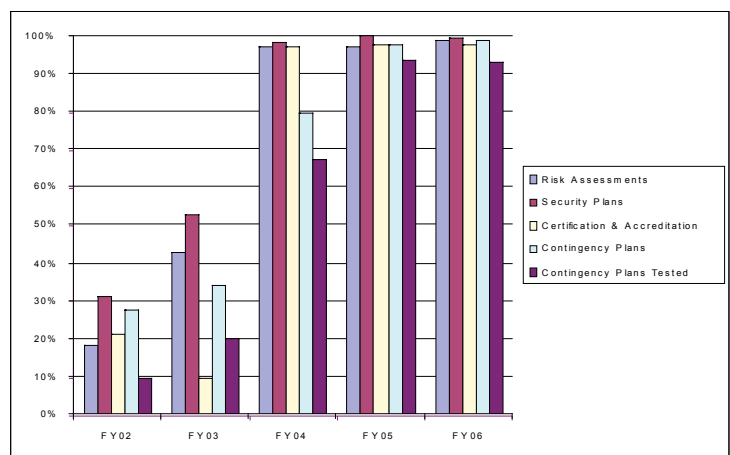
OMB submissions. Furthermore, EA is a means of capital asset control in which Interior has made substantial progress. Clean security architecture will enable system owners to build and change systems in accordance with pre-approved patterns. Benefits of architecture include operational consistency, cost-effective licensing, and ease of security control maintenance/validation. In FY 2006, Interior received the highest scores for its EA out of 25 agencies reviewed by OMB.

In FY 2006, Interior made substantial progress towards implementing a single Departmental ESN. The ESN architecture includes robust network perimeter security controls and enables Interior to manage perimeter controls more consistently, effectively, and cost-efficiently. A total of 13 bureau networks have been consolidated. This enhanced network perimeter architecture significantly reduces network attack vectors and enables security resources to focus on further enhancing perimeter security controls and monitoring for potential intrusions in a most cost-effective manner. Interior systems are also migrating to Interior’s Enterprise Directory System (Active Directory) which enables more consistent implementation of security control configurations relating to authentication, access, and authorization.

Interior has integrated IT security costs as part of the Capital Planning and Investment Control process. IT Security costs for maintenance of security patches, anti-virus, and other routine maintenance of security

FIGURE 1-75

Certification and Accreditation Activities



controls are included as part of the operational and maintenance (O&M) costs for each system. Costs for implementing planned corrective actions to resolve identified weaknesses within each system are also budgeted for as part of each investments' OMB Exhibit 53 and 300.

The nearly \$100 million identified for Interior IT security program initiatives in FY 2004— FY 2006 is focused on the right objectives and achieving lasting results. The annual FISMA evaluations of the OIG and CIO appropriately recognized that IT security at Interior is not perfect, that risks and vulnerabilities still remain, and that improvements need to be made. Nonetheless, Interior believes the policies and processes in place to address those risks are adequate, that improvements have been and will continue to be made in a timely and cost-effective manner, and that Interior 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 Prompt Payment Act, the Debt Collection Improvement Act, and the Independent Offices Appropriation Act (User Fees).

Based on the results of the FY 2006 independent financial statement audit, Interior was determined to be compliant with legal and regulatory financial requirements and the U.S. Government SGL components of the FFMIA. As noted earlier in this section, Figure 1-70 presents a summary of the Department's areas of compliance reported in the FY 2006 financial statement audit opinions.

Prompt Pay, Debt Collection, and Electronic Funds Transfer

The Department is continuing to improve performance under the requirements of the Prompt Payment Act and the Debt Collection Improvement Act. The Prompt Payment Act requires that payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest, if more than \$1.

The Department's FY 2006 performance resulted in achieving goals for Prompt Payment (Figure 1-76), Debt Collection Improvement Act (Figure 1-77), and payments made by Electronic Funds Transfer (Figure 1-78).

Financial Management Improvement Initiatives

The Department is moving forward to fully comply with the E-Gov travel initiative. During FY 2007, Interior will begin to roll out an automated travel voucher system that will complement the already automated Travel Manager Center and On-line Booking Engine. The system will be interfaced with the current finance system (FFS), as well as integrated with FBMS as it is deployed throughout the Department.

Improved Cost Information

The Department is in the process of validating the cost data reported in the Statement of Net Cost by implementing a reconciliation process between the Statement and the cost data accumulated and reported in the managerial cost accounting system. The cost information developed and reported through this process will allow bureau managers to evaluate how well bureau programs are meeting the Department's strategic goals and objectives. The process will be implemented in FY 2007

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 decisionmaking 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 A-127 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.

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 a unified set of financial management systems planned for and managed together and operated in an integrated fashion 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) migrating to and enhancing standard Department-wide systems; (2) improving or replacing financial and mixed systems to take advantage of new technological capabilities (e.g., Internet browser and smart card technology); (3) effectively interfacing or integrating financial management systems through electronic transfer of data and establishing standardized financial data classifications for movement of data to support finance and program managers; and (4) following sound investment principles in selecting and evaluating financial management systems and recognizing those systems as part of the Department's portfolio of capital assets.

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

- **Financial and Business Management System.** Define, carefully plan, and implement a new generation of financial management systems to take advantage of new technology and processing opportunities;
- **Critical Programmatic/Financial Management Systems.** Continue to improve certain critical bureau-based programmatic/financial management programs: Minerals Revenue Management and Indian Trust Funds; and
- **Improve the Information Technology (IT) 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 Information Architecture Program.

Financial and Business Management System. The Department of the Interior is in the process of implementing the Financial and Business Management System (FBMS). When fully operational, the FBMS will provide Interior with standard business practices supported by a single, integrated finance and administrative system for all bureaus. FBMS is an integrated suite of software applications that will help Interior to 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 financial systems and tools that are in place today do not meet the needs of the employees who report on key information, make decisions based on that information, and apply the limited resources that they have to serve each bureau's mission. In many areas, redundant administrative tasks take away time that could be better spent on mission-focused activities.

The FBMS is taking a comprehensive approach to improving the current business functions in its core systems by replacing the current computer systems with state-of-the-art software. The combination of standard business practices and new computer system functionality will enable the bureaus to improve service to their customers and to operate more efficiently.

Benefits gained from implementing this suite of applications will include:

- Access and share real-time, accurate business information;
- Support effective business decisions for mission delivery;
- Issue accurate financial reports and analysis of core financial acquisition, financial assistance, and property data.

FY 2006 Accomplishments

- Awarded a contract for FBMS implementation to IBM Business Consulting;
- Accomplished the necessary activities to ensure successful FY 2007 FBMS implementation—including deployment of core financials, Departmental interfaces, Financial Assistance, and Enterprise Management and Reporting for OSM and MMS. Activities include, but are not limited to the following:
 - Completed all system configuration, business process procedures, and test scripts for core financials and enterprise information management.
 - Completed the development and testing of conversion and interface programs, including FPPS labor and other external interfaces.
 - Conducted integration testing;
- Finalized the FBMS cutover plan for core financials; and
- Maintained ongoing operation of Deployment 1 (Financial Assistance at three bureaus).

FY 2007 Planned Activities

Accomplish the necessary activities to ensure successful FY 2008 FBMS implementation. Activities include, but are not limited to:

- Complete all system configuration, business process procedures and test scripts for core financials, acquisition, permanent change of station, and enterprise information management.
- Complete the development and testing of conversion and interface programs.
- Conduct integration testing.
- Conduct user acceptance testing.
- Finalize the FBMS cut over plan for core financials and acquisition.

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.

FIGURE 1-76
Prompt Payment

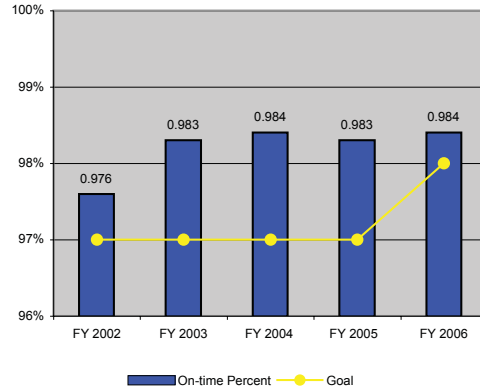


FIGURE 1-77
Debt Referral

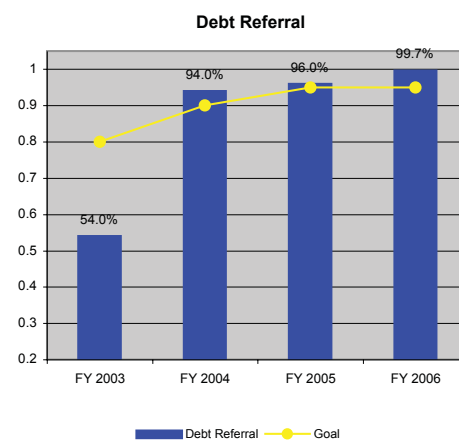
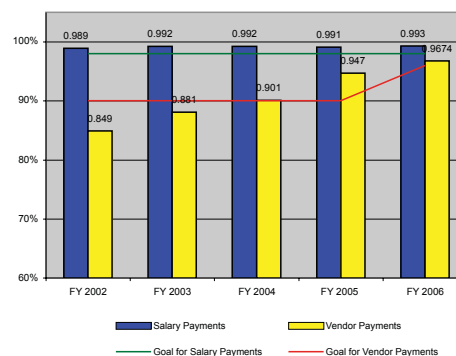


FIGURE 1-78
Electronic Funds Transfer



MMS's Minerals Revenue Management System

The Minerals Revenue Management (MRM) 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 average more than \$8 billion annually. 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 (RIK) program, which utilizes an asset management approach to ensure the receipt of optimal value for mineral resources.

FY 2006 Accomplishments

- In March 2006, MMS completed an analysis that examined the performance of the RIK program during FY 2005, the second full year the program was in an operational status following 6 years of pilot testing. Among the highlights of the report were that RIK sales of oil and gas generated a revenue gain of \$32.3 million over what would have been received if MMS had taken the royalties in value, or as cash payments. Moreover actual, measured administrative costs were from 42% to 52% less than the costs that would have been incurred under a universal royalty in value approach, an efficiency gain that translates to \$3.75 million in cost avoidance.
- MMS developed a Risk Procedures Manual in April 2006 as a guide to RIK staff in everyday implementation of the risk policy. The Manual aligns with MMS's RIK internal control and performance/ risk monitoring framework, established in FY 2005, to support the RIK operational program and MMS policy oversight functions. In August 2005, MMS released a RIK Risk Management Policy (based on two comprehensive risk assessments of the RIK Program) which identified and addressed the risks encountered in this commercial energy commodity sales program.
- Working in partnership with the Bureau of Land Management (BLM), Bureau of Indian Affairs (BIA), Office of the Special Trustee for American Indians

(OST), and the U.S. Geological Survey (USGS), 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 opportunities to gain more knowledge of the full spectrum of Indian mineral resources.

FY 2007 Planned Activities

- Implement an effective risk metrics program to quantitatively identify exposures and inform commercial decisionmaking within the RIK Program.
- Expand RIK portfolio through diversification, after enhancing internal controls, risk policy framework, and human resource skill sets.
- MRM will continue to implement its Strategic Business Plans.
- Publish a proposed Takes vs. Entitlements Rule.
- Publish a proposed rule for Prepayment of Royalties on Marginal Properties.
- Publish a proposed rule on Late-payment and Overpayment of Interest.

American Indian Trust Funds Systems

The American Indian Trust Fund Management Reform Act of 1994 (the Act) 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 that concluded 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.

Legal and Regulatory Requirements

The Plan identifies primary business lines: beneficiary trust representation, trust financial management and stewardship, and management of land and natural resources. Strategic goals and specific related objectives fit within these business

lines. In addition, the Historical Accounting Plan for IIM Accounts is being implemented.

FY 2006 Accomplishments

Through the Office of the Special Trustee for American Indians, the Department of the Interior is in its second year of implementing the Fiduciary Trust Model (FTM). An Indian Trust Funds Lockbox has been implemented that receives, processes, and deposits trust fund remittances into the U.S. Treasury. Currently, all trust fund remittances derived from non-oil and gas activity are processed by the Lockbox, which mitigates the risk of physically handling funds.

In addition, the Department has introduced new systems to process work, substantially eliminated backlogs in recording vital information into the new title system, and more efficiently processing Indian Trust estates. All eight Bureau of Indian Affairs Land Titles and Records Offices (LTRO) have converted to a new land title system. BIA agency offices are currently in the process of converting to a new leasing system which is integrated with the land title and trust funds accounting system. The BIA's goal is to have all locations successfully converted to the new leasing system by September 30, 2007. As BIA locations convert to the new leasing system, Indian trust beneficiaries will begin receiving quarterly statements that include more detailed information on trust assets and trust income.

- Continued implementation of the FTM. Migrated to automated systems that are integrated in order to support the FTM trust business processes and fulfill beneficiary needs and fiduciary requirements.
- Fully converted 45 agencies to the accounting, payment processing, data, title, and management systems.
- Utilized the MRM, an MMS program for collecting, accounting for, and distributing mineral revenues from both Federal and Indian mineral leases. BIA maintains individual Indian ownership records, and OST uses this information for disbursement of lease revenues to individual Indian beneficiaries at the pilot and converted agencies.

- Distributed \$62.9 million as of September 30, 2006, to individual Indian trust account holders who were previously on the “Whereabouts Unknown” list through collaborative efforts between OST, BIA, and tribal governments.
- Safeguarded millions of Indian trust records at the American Indian Records Repository, in Lenexa, Kansas. So far, more than 140,000 boxes containing almost 300 million pages of Indian records have been electronically indexed and stored at a state-of-the-art storage facility.
- Increased direct deposit to 2,376 IIM account holders, thus avoiding lost checks and providing timely delivery of funds.
- Published informational materials, including a new account Welcome Kit, and informational brochures, 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.
- Developed and incorporated standardized conveyance operating procedures into handbooks issued by BIA to streamline the process to acquire and convey ownership and beneficial interests in trust assets.
- Developed and automated standardized agricultural and range lease contracts.
- Developed 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; TFAS, lockbox operations, and other related trust systems.
- Certified 50 Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.
- Aligned the Risk Management program with OMB Circular A-123 and A-130 for all OST locations.
- Completed BIA-wide implementation of the Lockbox.
- Completed DQ&I project tasks for 45 BIA agencies.
- Implemented post-quality assurance review processes at four BIA LTROs.
- Completed a directive handbook to standardize the format of various types of directives that provide guidance to program offices in the creation and maintenance of OST directives.

FY 2007 Planned Activities

- Continue implementation of systems and processes at BIA regions with scheduled completion in September 2007.
- Redesign and update the OST external web site (www.doi.gov/ost) to be interactive and informational for Indian Trust account holders.
- Work 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.
- Develop and implement Cannon’s Certified Indian Trust Examiner certification program.
- Certify additional Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.
- Develop and provide job-specific training to over 500 Interior and tribal employees in new FTM business processes, e.g., Lockbox; tribal self-governance and self-determination; and trust accounting.

- Continue implementation of the multi-phased FTM project plan, and create a unified CTM/FTM continuous improvement team with representatives from multiple bureaus and tribes.
- Distribute an aligned risk management assessment tool that provides automated assessment and corrective action plan development and maintenance.
- Enhance the lockbox operations for additional funds processing.
- Complete Regulatory Initiative Project and implement new Indian Affairs Trust-Related Regulations.
- Revise, implement, and train on standardized BIA Handbooks and OST Desk Operating Procedures in compliance with new regulations.
- Complete analysis of probate information across all trust systems and implement reconciliation recommendations.
- Eliminate Special Deposit Accounts, except in the case of issue-specific accounts that are awaiting Solicitor's opinion or policy decision, under appeal or involved in litigation, or awaiting completion of a cadastral survey.
- Move decisionmaking on selected transactions to the local level.

Improve the Information Technology (IT) 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 Information Architecture Program.

Interior Enterprise Architecture Program

For the last two consecutive enterprise architecture (EA) maturity reviews, OMB has rated Interior as the #1 Federal agency for EA maturity. Agencies were evaluated on three factors of their EA Program: completeness, use, and results. Interior demonstrated the Interior Enterprise Architecture (IEA) program has proven that

its approach is indeed an “actionable” one by demonstrating tangible results emanating from the program. For example, Interior has completed four modernization blueprints that collectively identify approximately 100 legacy/redundant systems that are targeted for retirement over the next few years. Blueprints are helpful for identifying gaps in Interior's existing IT portfolio that hamper the successful achievement of strategic and programmatic goals and objectives, as well as for pointing out system redundancies and opportunities for data sharing. In addition, Interior has realized approximately \$68 million in cost avoidance by leveraging its Technical Reference Model in the establishment of enterprise licensing agreements.

More important than the external accolades is the business transformation that has been enabled at Interior through the IEA program. Through the IEA program, Interior has completed architectures for four of its key business areas with seven additional business areas currently using the Methodology for Business Transformation (MBT) to develop their architectures. Specifically, Interior has focused on the business areas that comprise large percentages of the IT portfolio. These areas, such as Financial Management, Law Enforcement, Wildland Fire, and Recreation, have been architected to improve the overall IT portfolio, as well as the delivery of services within the organizations themselves. This segmented approach to EA ensures that Interior is applying its architecture resources against the Department's most impacting and critical business areas. Currently, there are seven additional Modernization Blueprints being produced, including: Water Management, Surface Mining, Management Planning and NEPA, Geospatial Services, Human Resources, Indian Trust, and Information Technology Management.

In addition to the OMB scores and the internal progress, the IEA program has been recognized by other organizations, including:

- Winner of the 2nd Annual E-Gov Institute award for Excellence in EA for Leadership in Government Transformation in 2004;
- Recipient of Government Computer News

Best Practice recognition for Interior's Data Architecture in 2005;

- Interior was Leveraged by the Federal Enterprise Architecture Program Management Office (FEAPMO) in its Data Reference Model as a real-life example for an implemented Data Architecture;
- Interior's Enterprise Transition Plan was referenced by the FEAPMO as a reference to other Federal agencies;
- The IEA program was featured as a two-part case study in the Journal of Enterprise Architecture in January and May 2006;
- The IEA program and MBT have also been featured as a best practice in the Federal Enterprise Architecture Certification (FEAC) Institute FEA certification course; and
- The IEA program has conducted outreach and information sharing sessions with over 25 Federal, State, and Local government agencies, as well as five foreign governments with the intent of sharing best practices and helping the EA community of practice.

The IEA program has proven that its approach is indeed an "actionable" one. Three of the four modernization blueprints, or road maps for change, developed in 2004 were approved by the Investment Review Board (IRB) and are presently in the implementation phase. In order to help business leaders within Interior conform to the OMB mandate to plan and carry out their own business transformation projects, the IEA extended its architecture methodology to encompass not only steps for the development, but also for the implementation and maintenance of modernization blueprints. This Methodology for Business Transformation provides bureau enterprise architects with a structured, logical and integrated way of ensuring that planning efforts have measurable results and that they are in step with Capital Planning and OMB requirements. As a result of these efforts, Interior was awarded the highest maturity score for its enterprise architecture program out of 25 assessed agencies in July 2005.

FY 2006 Accomplishments

- Rated #1 of 25 Federal agencies for enterprise architecture maturity by OMB in 2005 and 2006. OMB noted Interior's Integrated Approach, Centralized EA repository, and success at implementing Modernization Blueprints for critical Lines of Business that resulted in targeting redundant systems for retirement, overall IT budget savings, and increased business efficiency. In particular, OMB praised Interior for being aligned with the OMB Federal Enterprise Architecture (FEA), for using an enterprise-wide centralized Departmental Enterprise Architecture Repository (DEAR) to support IT investment decisions, and for its success at implementing Modernization Blueprints for critical Lines of Business.
- Interior EA Program has identified more than 100 redundant IT systems for retirement. As a result of the 4 completed Modernization Blueprints which provide a detailed plan for improving internal efficiencies and end services, minimizing security and privacy risks, and reducing Interior's total cost of ownership through elimination of redundant systems and investments, approximately 100 redundant systems were identified and will be retired within the next 1-3 years, resulting in millions of dollars in savings.
- Modernization Blueprints are underway for seven key business areas. Interior and its bureaus are developing modernization blueprints for the following business areas: Water Management, Surface Mining, Management Planning and NEPA, Geospatial Services, Human Resources, Indian Trust, and Information Technology Management. Like the prior blueprints, these blueprints will define a target architecture and the road map to get there.
- Interior EA Program generates International Interest. The Interior EA program has provided information sharing sessions on its methods and achievements to the representatives from Japan, Korea, Denmark, and Singapore.
- Interior EA Program has increased integration of Information Security with EA methods and tools. Since 2004, the Interior EA program has used the

NIST 800-60 security guidelines when it examines how Interior businesses use IT systems to support business functions. Utilization of NIST 800-60 ensures the identification of all data used that requires either privacy or security protection.

- Interior EA Program has integrated IT Certification and Accreditation tracking systems with a centralized EA repository. Since the Interior EA repository contains the official IT system inventory, the Interior Security C&A tracking system has been integrated into the EA Repository ensuring that all Interior IT systems receive required C&A and maintain required C&A status.
- Interior Enterprise Information Technology Security Architecture Standard. The IEA program supported and partnered with the Cyber-Security Division in the development of this standard document which prescribes a solution-focused and actionable architecture that facilitates key information security objectives. This document is planned for release prior to the end of fiscal year 2006.
- MBT and DEAR Training. Training sessions in Denver and Washington D.C. metro area were held to train architects and other stakeholders on Interior's Methodology for Business Transformation (MBT), which is Interior's approach for creating, implementing, and maintaining modernization blueprints and the DOI EA Repository (DEAR).

FY 2007 Planned Activities

- Complete modernization blueprints currently underway: Indian Trust, Management Planning and NEPA blueprint, Geospatial, Human Resources, Water Resources Management.
- Update Interior's Performance Architecture and DEAR with current Interior Strategic Planning Measures.
- Update Interior's Business Architecture to define and document functions, processes, and activities, and identify opportunities for process standardization and streamlining.
- Enhance Interior's Performance Architecture

by including business areas and the criteria for prioritizing future modernization planning in the Enterprise Transition Plan.

- Improve EA Deployment by developing a business intelligence (BI) capability integrated with DEAR to provide Interior capital and strategic planners integrated EA planning and execution monitoring information.
- Improve EA Deployment by integrating Performance Monitoring and Tracking within the EA Program.
- Enhance Interior's Transition Strategy by revising the Methodology for Business Transformation to include specific reference to how the blueprint recommendations are used to update Interior's Enterprise Transition Strategy.
- Enhance Interior's Transition Strategy by revising the Methodology for Business Transformation to include specific guidance integrating capital planners and appropriate EA governance bodies in the process of creating the proposed investments for modernization blueprints.
- Improve EA Deployment by revising the Interior EA website to provide more effective communication of the business value of EA.
- Improve EA Governance and Management oversight by instituting semi-annual reporting of Bureau EA Maturity Assessments.

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. Then came the requirements of the President's Management Agenda and, more recently, OMB's revised Circular A-123 Appendix A requirements. In addition to the government-wide initiatives, Interior is also engaged in a Departmentwide effort to implement a fully integrated Financial and Business Management System (FBMS).

It is imperative that Interior have adequate numbers of highly qualified financial management personnel. These individuals must have the competencies required to successfully transition to and implement the 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 CFO Council approved the plan's major recommendations, established a Workforce Steering Committee in early 2005, and is responsible for implementing the identified recommendations. 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.

Increasing the Availability and Diversity of Qualified Accountants, Financial Analysts, and Other Personnel
The Financial Management Workforce Plan highlights the need for strategic recruitment and retention, with particular emphasis on using programs such as career intern programs. Interior established the R. Schuyler Leshner Financial Management Career Intern Program (FMCIP) 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. The Financial Management Workforce Plan reinforces the importance of continuing the Financial Management Career Intern Program (FMCIP).

The Workforce Plan also recommends making better use of existing recruitment and retention authorities and incentives. The Workforce Steering Committee established a recruitment subgroup which developed a cross-bureau financial management recruitment strategy and implemented a recruitment schedule for the Fall of 2006.

FY 2006 Accomplishments

- Hired six new interns as the 2006 Class of FMCIP;
- 2005 FMCIP Class (four interns) completed the first year of training and development;
- Graduated the 2004 FMCIP Class with eight members;
- Expanded efforts to recruit for the FMCIP at various multi-school and diversity career fairs in the Northeast, the Midwest, the Southwest, and in Colorado;
- Developed and implemented a Departmentwide, cross-bureau financial management recruitment strategy; and
- Executed a Fall 2006 recruitment schedule.

FY 2007 Planned Actions

- Recruit a new FMCIP class of 2007;
- Research best practices among Federal agencies in using existing recruitment authorities; and
- Implement a Departmentwide, cross-bureau financial management retention strategy, providing tools for managers and supervisors.

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 paths 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.

Interior plans to expand training and career development opportunities to support the career paths identified in the new career paths program. The program will be built on the Joint Financial Management Improvement Program (JFMIP) published core competencies, the critical competencies identified in the financial management workforce plan, and validation by a 2006 Financial Management Competencies Survey.

FY 2006 Accomplishments

- Conducted and analyzed a Departmentwide survey of senior financial managers and executives to identify and validate required competencies for accountants and financial analysts.
- Developed a Financial Management Competency Model which will be validated and used in the design and development of a Financial Management career paths program.
- Sponsored graduates of the FMCIP for certification in Financial Management and Leadership Development through Management Concepts, Inc.
- Sponsored courses in:
 - Working Across Multigenerational Workforces
 - Dollars and Sense
 - Governmental Budget and Accounting Concepts
 - Appropriations Law
 - Standard General Ledger
 - Process Improvement
 - Formal Mentoring

- Budget Formulation and Execution
- Effective Briefing and Presentation Skills
- FASAB Standards
- Internal Controls
- Essentials of Analysis
- CGFM series
- Leading and Managing Change
- Leadership Development

2007 Planned Actions

- Conduct a Departmentwide financial management skills gap analysis based on the Financial Management Competency Model.
- Conduct a Financial Management needs assessment.
- Begin to design the Financial Management Career Paths curriculum, which will be developed in 2008.

Financial Data Stewardship

Financial data stewardship is the process of managing information needed to support program and financial managers, and ensuring that data captured and reported is accurate, accessible, timely, and usable for decisionmaking 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 is 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 (PFM) 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 has dedicated one full-time staff person to focus on data stewardship functions, participate in government-wide financial data standard setting activities,

and coordinate with the Standard Accounting Classification Advisory Team (SACAT) on setting standards for financial data for use throughout Interior. Several other individuals within PFM assist the data steward on various individual projects. The PFM data steward 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, the PFM data steward participates in the development and implementation of the Financial and Business Management System (FBMS). This function also coordinates Departmental financial data definitions with the two key government-wide financial data standard setting groups—the Financial Management Service’s United States Government Standard General Ledger (USSGL) Board and OMB. The data steward acts as the point of contact for Continuity of Operations processes and procedures for the PFM.

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. The PFM data steward is a member of the SACAT.

In addition to the SACAT, the data steward also participates on the Financial Statement Guidance Team (FSGT). 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 A-136.

FY 2006 Accomplishments

- Analyzed and enhanced the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Performance and Accountability Report.
- Prepared Department responses to draft FASAB, OMB, and Treasury financial reporting guidance. PFM and various bureaus of the Department are

working closely with the AAPC to prepare guidelines for implementation of SFFAS 29 and 30. PFM and the Department have actively participated in the development of specific accounting standards addressing oil and gas treatment on the balance sheet. In addition, PFM leads a government-wide workgroup to respond to FASAB issues for the Chief Financial Officers’ Council.

- Coordinated the reconciliation of intra-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies.
- Updated intra-Department financial statement preparation guidance.
- Worked closely with the FBMS 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.
- Ensured PFM compliance with National Response Plan and Continuity of Operations requirements by participation in meetings, training, and drills.

FY 2007 Planned Activities

- Continue 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.
- Continue to coordinate and prepare Department responses to draft FASAB, OMB, and Treasury financial reporting guidance.
- Continue to work with the AAPC to develop and issue guidance on the implementation and interpretation of SFFAS 29 and 30.
- Continue to coordinate the reconciliation of intra-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies.
- Update intra-Department financial statement preparation guidance.
- Work closely with the FBMS 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 participate in Continuity of Operations and emergency management meetings, training, and drills.