

CHAPTER 3. PROGRESS IN IMPROVING FINANCIAL PERFORMANCE

The Department is committed to improving its financial capability and performance, including supporting the “Improve Financial Accountability” goal in the President’s Management Agenda. One tool the Department uses to measure progress towards this goal is the DOI Financial Management Improvement Scorecard. The DOI Scorecard lists criteria and metrics that will help the Department achieve “green” on the President’s Management Agenda Scorecard. The Department and bureaus meet periodically to assess Scorecard progress and to discuss areas requiring additional management attention.

The specific, crosscutting initiatives to improve financial accountability and management are discussed in this section of the report and include improving financial management reporting, ensuring management accountability and control, improving asset management and financial operations, and providing data stewardship.

Improving Financial Management Reporting

The Department’s financial reporting goals are to achieve and maintain unqualified audit opinions for departmental and bureau financial statements, to strengthen financial controls, and to ensure that financial data produced for management decision-making is reliable, verifiable, and consistent with the annual audited financial statements.

As part of this objective the Department continues to focus on preparing and publishing complete, concise, understandable, and meaningful information about the financial and operating performance of the Department and the individual bureaus, offices, and programs that comprise the Department. The Chief Financial Officers’ Act (CFO Act), as amended by the Government Management Reform Act (GMRA), requires agencies to prepare and publish annual agencywide financial statements.

In FY 1996, the Department prepared its first Accountability Report under a pilot program established by the Office of Management and Budget under the Government Management Reform Act. The Department’s Accountability Report provides readers with consolidated financial statement data and information on operating performance and management integrity that demonstrates Interior’s stewardship over the assets, missions, and responsibilities entrusted to it. The report integrates the multiple financial management and performance measurement requirements of the CFO Act, the Government Performance and Results Act (GPRA), the GMRA, and the Federal Managers’ Financial Integrity Act (FMFIA) into a comprehensive process.

The Accountability Report is now the Annual Report on Performance and Accountability Report, as it was expanded in FY 2002 to include the Annual Performance Report. The Department continues to prepare this Report on an annual basis, revising and expanding the content of the report as necessary to adapt to changing requirements and to meet the needs of interested parties. The Department’s financial reporting strategy also includes the preparation of bureau annual reports and financial statements. The Department believes there are significant and long-term benefits to preparing bureau financial statements, including verification of the financial and cost accounting data used by management; presentation of a

clear and concise summary of bureau operations, accomplishments, and concerns; and identification and correction of operating weaknesses such as property management and collection of accounts receivable by working capital funds.

To improve financial reporting, the Department is focusing on the following:

- Continuing to improve the financial statement preparation process;
- Preparing monthly financial statements, and meeting the accelerated financial reporting date one year in advance of the 2004 requirement;
- Improving the linkage of financial statement reporting to performance reporting;
- Correcting material weaknesses and reportable conditions identified during the annual financial statement audit; and
- Correcting Federal Financial Management Improvement Act (FFMIA) deficiencies.

Financial Management Transformation - Phase 1

In the spring of 2003, the Department launched a Financial Management Transformation Plan. This process, entitled “Transformation of Financial Management In Interior: Phase 1,” involved the Assistant Secretary – Policy, Management and Budget (AS/PMB), Bureau Directors, Bureau Chief Financial Officers, and other representatives from throughout the Department.

The Finance Transformation Actions are described below:

1. Benchmark Success. Structure visits with successful governmental and private sector organizations to learn how they engineered quantum improvements in financial management. Apply ideas to Interior’s Transformation of Financial Management.
2. Management Strategy for Phase I. Discuss the issues driving a need for transformation with Interior leadership and implement a management strategy to complete the plan of action, obtain concurrence on urgency of need and proposed approach and put organizational structure in place to be successful.
3. Financial Organization. Assemble, train and reward top talented personnel needed to perform the work associated with correcting financial weaknesses, improve financial management leadership, implement and maintain ABCM, and prepare for the FBMS to strengthen internal capacity to manage financial operations..
4. Policy and Process. Review and revise DOI financial policy and process to provide a sound, consistent base for financial management operation. The Department and the Bureaus would be operating off the same policy guidance in key areas and would standardize their operational approaches. The key policy and process areas to be addressed are:

- a. Issuing Accounting and Financial Management Related Policies and Standard Procedures
- b. Undelivered Orders and Accruals
- c. Cash Management and Reconciliation
- d. Intra-governmental transactions and eliminations
- e. Billings, collections and revenue reporting
- f. Environmental Liabilities
- g. Erroneous Payment

5. *Security and Controls of Financial Management Systems.* Comply with OMB Circular A-130 by implementing controls to assure that financial management systems, including FFS, FPPS, IDEAS, and ABACIS are secure. This will reduce vulnerability of unauthorized access, use, or loss of sensitive information in Interior's financial management systems and eliminate audit material weakness or reduce it to a reportable condition in 2003.

6. *Improve Controls over Property, Plant and Equipment.* Address KPMG Audit findings related to controls over property, plant and equipment (PP&E) to improve management over PP&E and resolve the internal control material weaknesses identified in the 2002 KPMG Audit Report. This will include improvements in:

- a. Capitalization of Assets
- b. Inventory and Certification Process
- c. Acquisition and Disposals
- d. Construction in Process
- e. Transfers
- f. Land and Land Rights
- g. Recording Depreciation
- h. Reconciliation of Subsidiary Ledgers to the General Ledger

This action item will also include addressing the Reportable Condition related to Deferred Maintenance.

7. *Debt Management Improvement.* Comply with the Debt Collection Improvement Act of 1996 (DCIA) and improve the Department's debt collection performance to ensure the Department is in compliance with DCIA and reduce future write-offs of debt.

8. *Financial Reporting.* Improve the transaction, reconciliation, and reporting process to enable Interior to meet the November 15 report date; create timely, reliable financial data and resolve KPMG Audit Material Weakness related to controls over financial reporting.

9. *Monitoring Correction of Material Weaknesses & Reportable Conditions.* Address all internal control findings and non-compliance issues reported in the 2002 audit reports. These include the following departmental internal control findings and noncompliance issues:

Departmental Material Weaknesses:

- a. Security and general controls over financial management systems (covered in Transformation Action item 5)
- b. Controls over Property, Plant and Equipment (covered in Transformation Action item 6)
- c. Controls over financial reporting (covered in Transformation Action item 7)
- d. Controls to reconcile intra-governmental transactions and balances (covered in Finance Transformation Action item 4)
- e. Indian Trust Fund Controls (addressed in other plans)
- f. Financial Processes at the U.S. Geological Survey (covered in Finance Transformation Action item 13)

Other Reportable Conditions:

- g. Controls over undelivered orders and accruals (covered by Transformation Action Item 4)
- h. Controls for recording and disclosing claims and assessments (covered by Transformation Action item 7)
- i. Controls over environmental liabilities (covered by Transformation Action item 4)
- j. Controls over revenue processes (covered Transformation Action item 4)
- k. Controls over Interior Franchise Fund (covered by Transformation Action item 14)
- l. Deferred Maintenance reporting (covered by Transformation Action item 6)
- Compliance with Laws and Regulations
- m. Debt Collection Improvement Act of 1996 (covered by Transformation Action item 4)
- n. Section 113 of Public Law 104-208 – Advance for Interior Franchise Fund (covered in Transformation Action item 14)
- o. Federal Financial Management Improvement Act of 1996 (covered by Transformation Action items 5 and 7)

The process also includes monitoring progress in correcting individual bureau internal control findings and non-compliance issues reported in the FY 2003 KPMG reports.

- 10. Metrics and Accountability. Develop metrics and an internal control process to measure progress against governmentwide financial requirements and Departmental goals to improve accountability for meeting financial requirements and the capability to resolve problems early.
- 11. Revamp Performance and Accountability Report (PAR). Revamp the Performance and Accountability Report to provide a more user-friendly document that will communicate a clear assessment of Interior's progress in meeting its accountability and performance reporting requirements.
- 12. Modernize Financial Management Systems. Implement the Financial and Business Management System to streamline financial operations and improve systems support to the Department and its bureaus. Streamline operations through better use of technology, leverage e-government initiatives into the Department and provide technology support to a world-class financial management operation.

13. *Improve Financial Processes at U.S. Geological Survey.* The U.S. Geological Survey does not have adequate procedures and controls to ensure timely and accurate financial transaction recording. Interior will develop and implement procedures and internal controls to ensure that USGS financial transactions are recorded properly and timely during the year. Specifically, Interior will:

- a. Improve the finance department at the U.S. Geological Survey to ensure that it has effective leadership, federal accounting experience, and authority to enforce financial policies.
- b. Re-design the financial processes at U.S. Geological Survey to ensure that they support recording financial transactions accurately and at the time the events occur.
- c. Ensure that the reportable condition is corrected.

Preparing Financial Statements and Correcting Financial Statement Audit Findings

The benefits of financial statement audits and, in particular, obtaining unqualified opinions are twofold: (1) providing quality data to external parties; and (2) ensuring that the books and records used by management can withstand the rigors of the audit process. Unqualified opinions provide independent assurance to external users that the information provided is reliable. Moreover, the discipline required to produce annual financial statements and audits demand that appropriate management attention and oversight is directed to the maintenance of high quality agency financial management and compliance with applicable laws and regulations.

The audit process includes: (1) an opinion on the financial statements; (2) the results of the consideration of internal controls, and (3) the results of tests of compliance with laws and regulations.

Financial statement audit results are summarized in *Exhibit 3-1*.

Financial Statements

The objective is to maintain unqualified audit opinions on financial statements prepared by the Department and the bureaus.

FY 2003 Accomplishments

- *Preparation of the Department's seventh Accountability Report under an OMB-sponsored pilot program.* The FY 2002 Performance and Accountability Report included audited consolidated financial statements for the Department, which for the sixth year in a row, received an unqualified audit opinion. This report included enhanced segment and program information that linked financial and GPRA performance information.
- *Preparation and audit of FY 2002 financial statements for the Department's eight bureaus and operating components.* Of the eight audited Interior bureaus/offices issuing financial statements, six received unqualified audit opinions, indicating that the financial information presented was fairly stated in all material respects.

Exhibit 3-1

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Departmental Consolidated	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Fish and Wildlife Service	Unqualified	Unqualified	Unqualified	Unqualified	Qualified	Qualified	Qualified
U.S. Geological Survey	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Disclaimer	No Opinion
Bureau of Indian Affairs	Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified
Bureau of Land Management	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Minerals Mgmt Service	Unqualified	Unqualified	No Statements Prepared	Unqualified *	Unqualified *	Unqualified	Unqualified
National Park Service	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Bureau of Reclamation	Unqualified	Unqualified	Unqualified	No report issued	Unqualified	Unqualified	Unqualified
Office of Surface Mining	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Departmental Offices	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Qualified
Office of Insular Affairs	Unqualified	Unqualified	Combined with Dept Offices	N/A	N/A	N/A	N/A

* Custodial revenues only.

- *Participation in the Association of Government Accountants (AGA) Certificate of Excellence Program.* The Department's FY 2000, 2001 and 2002 Reports earned a Certificate of Excellence from the Association of Government Accountants. In addition, the comments received from this review continue to be used to improve Interior's Accountability Reports.
- *Enhancement of the Consolidated Financial Statement application to permit bureau access to the Hyperion Enterprise application.* This system enhancement allows each bureau finance office to participate directly in the data collection process via the Citrix server capability. This capability was used to prepare the FY 2002 financial statements for the Department (see Chapter 4 for additional information).

FY 2004 Planned Actions

- Complete the preparation and audit of FY 2003 consolidated financial statements and bureau financial statements by the accelerated deadline of November 15, 2003.
- Begin the preparation and analysis of monthly bureau and Consolidated financial statements.
- Establish and implement a central database to merge the financial data contained in the Hyperion applications with non-financial attributes in support of departmentwide FACTS II reporting to the Department of Treasury.
- Streamline the financial data collection process to permit more timely preparation of the annual audited financial statements as well as the preparation of periodic unaudited financial reports for management. This will include continued enhancement of the Consolidated Financial Statement application to further streamline the process. This streamlining will improve the efficiency of the FY 2003 FACTS II submission from the

bureaus to the Department of the Treasury and improve the efficiency of the single departmentwide FACTS I submission.

- Develop standardized reports and footnote templates to improve the efficiency of the financial statement preparation and audit process.

Internal Control Findings From Audited Financial Statements

The objective for the Department is to achieve an auditor's Report on Internal Controls for the consolidated financial statement that has no material weaknesses identified. Individual bureaus also have goals to achieve an auditor's Report on Internal Controls with no material weaknesses. The material weaknesses reported in the Department's FY 2002 Report on Internal Controls are included in *Exhibit 3-2*.

FY 2003 Accomplishments

During FY 2003, the Department continued to correct material weaknesses identified by the financial statement auditors in their Report on Internal Controls. Significant accomplishments include the following:

- Corrective actions are in process on 30 of the 37 (81 percent) material weaknesses identified in FY 2002.
- Corrective actions for the Department's Information Technology material weakness is progressing and are targeted for completion by December 31, 2003.

FY 2004 Planned Actions

- Complete corrective actions for all material weaknesses identified in FY 2003.

Issues of Non-Compliance with Laws and Regulations

The objective for the Department is to achieve a Report on Compliance with Laws and Regulations prepared by the financial statements auditors associated with the consolidated financial statements published in the Accountability Report with no non-compliance issues identified. Individual bureaus also have goals to achieve a Report on Compliance with Laws and Regulations with no identified non-compliance issues. The 14 non-compliance issues reported in the Department's FY 2002 Report on Compliance with Laws and Regulations are presented in *Exhibit 3-3*.

Exhibit 3-2

FY 2002 Audited Financial Statements Material Weaknesses Remediation Status Report				
Bureau	Material Weakness Description	Corrective Action	Target Date	New Weakness or Carryover from FY 2001
DEPT	Inadequate General and Application Controls Over Financial Management Systems	Establish and implement controls and other safeguards to ensure that sensitive and critical financial data and systems are protected.	9/30/03	Carryover
DEPT	Inadequate Reconciliation of Trading Partner Data	Implement policies and procedures to ensure the timely reconciliation of trading partner data and a more streamlined and efficient year-end reporting process.	9/30/03	Carryover
DEPT	Inadequate Controls Over Property, Plant, and Equipment	Implement policies and procedures to ensure the proper accounting for and reconciliation of property, plant, and equipment.	9/30/04	Carryover
DEPT	Inadequate Controls Over Trust Funds	Implement the Department's High level Implementation Plan to achieve comprehensive Indian Trust reform, including vital improvements to systems, policies and operations necessary to ensure meeting the trust obligations to Indian tribes and individuals.	9/30/05	Carryover
DEPT	Financial Processes at the U.S. Geological Survey	Implement procedures and controls to ensure timely and accurate financial transaction recording.	9/30/04	New
DEPT	Controls Over Financial Reporting	Implement policies and procedures to improve transaction entry, reconciliations, grant monitoring, and activity-based costing.	9/30/04	Carryover
DO	Improve Controls to Reconcile Transactions and Balances with Trading Partners	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	Carryover
DO	Inadequate Accounting Controls Over Interior Franchise Fund	Establish and implement policies and procedures to monitor service provider disbursements, update pricing schedules, improve controls over receipts and accounts receivables, and improve software change control.	9/30/03	Carryover
DO	Inadequate Controls Over Tribal and Other Special Trust Funds	Implement policies, procedures, controls and systems to effectively manage Tribal and Other Special Trust Funds, and implement the HLIP as revised and amended.	9/30/05	Carryover
DO	Improve Controls Over Property, Plant, and Equipment	Work with the Utah Reclamation Mitigation and Conservation Commission to develop controls and procedures to properly record and report property transactions.	9/30/03	New
DO	Improve Controls Over Financial Reporting	Improve controls over year-end adjustment suspense accounts and communications with the Office of the Solicitor.	9/30/03	New
FWS	Improve Controls to Reconcile Transactions and Balances with Trading Partners	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	New
FWS	Improve Controls Over Accounting for Property	Implement policies, procedures, and controls to improve accounting for property.	9/30/03	Carryover
FWS	Improve Controls Over Year-End Accruals	Improve processes to identify and record year-end payables.	9/30/03	New
FWS	Financial Reporting Processes	Improve controls and processes associated with accounting and financial reporting.	9/30/03	Carryover
NPS	Inadequate Security and Controls Over Information Technology Systems	Develop and implement the Department IT Security Plan to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Carryover
NPS	Improve Controls to Reconcile Intra-governmental Transactions and Balances	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	New
BLM	Inadequate Controls for Accounting for Property	Implement procedures to consistently account for additions and deletions, and capitalized leases.	9/30/03	Carryover
BLM	Inadequate Controls for Accounting for Year-End Payables	Implement procedures to ensure year-end payables are completely captured and recorded.	9/30/03	New
USGS	Inadequate Security and Controls Over Information Technology Systems	Develop and implement the Department IT Security Plan to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Carryover

Exhibit 3-2 Continued

FY 2002 Audited Financial Statements Material Weaknesses Remediation Status Report				
Bureau	Material Weakness Description	Corrective Action	Target Date	New Weakness or Carryover from FY 2001
USGS	Inadequate Financial Management Organization Structure	Improve controls over processing field office data; delegate authority to ensure uniform administration of and compliance with accounting policies; review decentralized financial management systems and internal controls; and fill existing vacancies and provide accounting training programs.	9/30/03	Carryover
USGS	Inadequate Reconciliation of Proprietary, Budgetary, and Suspense Accounts	Conduct regular analyses and reconciliations of proprietary and budgetary accounts and routinely monitor compliance with Anti-Deficiency Act. Develop and implement procedures to ensure that the liability for suspense account is timely reconciled after month-end and implement a policy that all transactions are cleared in less than six months.	9/30/03	Carryover
USGS	Inadequate Account Analysis and Adjustments	Develop and implement procedures to ensure that all accounting adjustments are reconciled, adequately supported, timely, and independently reviewed throughout the year.	9/30/03	Carryover
USGS	Inadequate Controls Over Property, Plant, and Equipment	Implement policies and procedures to ensure the proper accounting for and reconciliation of Property, Plant, and Equipment.	9/30/03	Carryover
USGS	Inadequate Controls Over Revenue Cycle	Perform a study of the entire revenue cycle and consider redesigning or reengineering the process to achieve greater efficiency and simplicity.	9/30/03	Carryover
USGS	Inadequate Accounting for Inventory	Establish policies and procedures to account for map and hydrological inventory that will ensure full compliance with SFFAS No. 3 – Accounting for Inventory and Related Property.	9/30/03	Carryover
USGS	Working Capital Fund Compliance with Accounting Standards	Develop and implement a posting model to record fee-for-services and investment components of the working capital fund.	9/30/03	New
USGS	Inadequate Policies and Procedures	Document policies and procedures for all accounts having a material effect on the financial statements and train personnel in the application.	9/30/03	New
BOR	Inadequate Controls Over Land Inventory	Develop a complete and accurate inventory system that identifies by project all land and land rights.	9/30/05	Carryover
BIA	Inadequate Controls Over Processing Trust Transactions	Improve fiduciary controls over the processing of Trust transactions including segregation of duties, related party transactions, probate backlogs, and appraisal compacts	9/30/04	Carryover
BIA	Inadequate Security and Controls Over Information Technology Systems	Develop and implement the Department IT Security Plan to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Carryover
BIA	Inadequate Controls Over Financial Reporting	Recruit a Chief Accountant, implement a redesigned organizational structure, and implement a routine financial reconciliation process.	9/30/03	Carryover
BIA	Legal Liabilities	Develop a communication and tracking plan with the Solicitor to provide complete, accurate, and timely contingent liability data for financial reporting.	9/30/03	New
OST	Reliance on Processing of Trust Transactions in the Bureau of Indian Affairs	Work collaboratively with Departmental offices to monitor progress and ensure timely completion of trust reform subprojects.	9/30/03	Carryover
OST	Resolution of Financial Reporting Issues from Prior Periods	Continue to develop issue papers and action plans to address and resolve prior period issues.	9/30/03	Carryover

Exhibit 3-3

**U.S. Department of the Interior
Non-Compliance Issues Reported in
FY 2002 Audited Financial Statements
Status as of July 31, 2003**

<u>Bureau</u>	<u>Non-Compliance Issue</u>	<u>Corrective Action</u>	<u>Target Date</u>	<u>Status</u>
DEPT CONSOLIDATED	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements, accounting standards, and SGL at the transaction level	9/30/2004	On Target Improvements noted
DEPT CONSOLIDATED	Debt Collection Improvement Act of 1996	Establish a process in Fiscal Year 2003 to ensure eligible receivables are referred to the U.S. Department of Treasury in a timely manner.	8/31/2003	Problem Area NFR's in Dept. Offices and BIA
DEPT CONSOLIDATED	Section 113 of Public Law 104-208 - Advances for Interior Franchise Fund	Require customers to pay in advance, in accordance with the law or consider requesting the U.S. Congress to change the law governing this requirement.	9/30/2004	On Target
BOR	Compliance with the FFMIA	Improve EDP security and general control environment to comply with the federal financial management systems requirements.	9/30/2003	Problem Area Multiple IT NFR's
FWS	Compliance with the FFMIA	Improve EDP security and general control environment to comply with the federal financial management systems requirements, and accounting standards.	9/30/2003	Problem Area Multiple IT NFR's and real property issues
MMS	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and the SGL at the transaction -level.	9/30/2003	Problem Area Multiple IT NFR's
Interior Franchise Fund MMS	Section 113 of Public Law 104-208 - Advances for Interior Franchise Fund	Require customers to pay in advance for goods or services or request Congress to change authorizing legislation governing this requirement	9/30/2004	On Target
Interior Franchise Fund MMS	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and accounting standards.	9/30/2003	On Target
NPS	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements, accounting standards, and the SGL at the transaction level	9/30/2004	Problem Area Multiple IT NFR's
DEPT OFFICES	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and accounting standards.	9/30/2003	Problem Area Accounting std. NFR's
BIA	Debt Collection Improvement Act of 1966	Establish a process, in Fiscal Year 2003, to ensure eligible receivables are referred to the U.S. Department of Treasury in a timely manner.	8/31/2003	Problem Area Report NFR
BIA	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and accounting at the SGL transaction level	9/30/2003	Problem Area Multiple IT NFR's
USGS	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and accounting standards.	9/15/2003	Problem Area Multiple IT NFR's
BLM	Compliance with the FFMIA	Improve controls to comply with federal financial management system requirements and accounting standards.	9/30/2003	Problem Area Multiple IT NFR's
Total	14			

FY 2003 Accomplishments

- The Department has initiated corrective action plans to address all non-compliance issues identified in FY 2002 with the exception of FFMIA (which requires Financial and Business Management System implementation). Progress has been achieved in corrective action plans for other non-compliance issues but they are not expected to be resolved in FY 2003.

FY 2004 Planned Actions

- Complete corrective actions for all non-compliance issues identified in FY 2002 (except those which require FBMS implementation), and new issues identified in FY 2003.

Linking Financial Reporting to Performance Reporting

The Department of the Interior continues to make progress in implementing the Government Performance and Results Act (GPRA). GPRA has become a driving force toward establishing a results orientation within the federal government. The Congress, the Administration, and the taxpayers want greater accountability in the management and operation of federal programs and GPRA is a key step toward achieving this goal.

GPRA requires agencies to develop strategic plans that elaborate the mission, outcomes, and results that agency programs are dedicated to achieving. Further, the Act requires that agencies set annual performance goals that will reflect progress toward outcomes, measure performance against goals, and report annually on accomplishments.

During FY 2003, the Department began to prepare a revised Strategic Plan covering FY 2004 to FY 2009. As each stage in the GPRA cycle is completed, the Department is learning and improving, continuing to build the performance measurement infrastructure, developing more results-oriented goals, and monitoring progress toward meeting performance targets. During FY 2003, the following improvements were made:

- Continued refinement and testing of self-assessment tools for verification and validation of performance data across the Department;
- Development of a new integrated and outcome-oriented strategic plan that replaces the collection of process-oriented bureau plans, further refining the Department's mission.

The Department continued to be an active member of the National Academy of Public Administration's (NAPA) GPRA Consortium, working cooperatively with other agencies on common performance management issues.

Interior has coordinated the GPRA planning activities through its Performance Management Council, which consists of the senior planning officials from the bureaus, as well as representatives from the Department's planning, budget, finance, human resources, and information management offices. This team approach has enabled Interior to build a broad-based departmental infrastructure to implement performance management.

FY 2003 Accomplishments

- *FY 2002 Annual Report on Performance and Accountability.* FY 2002 was the first year that the Department combined the Annual Performance Report and the Accountability Report under the Annual Report on Performance and Accountability, enabling readers to see performance results and financial reporting in one document. The results for FY 2002 show that the Department met or exceeded 55% of the performance measures monitored. Although Interior did not fully meet 35% of the goals in accordance with stringent criteria for success (within 0.5% of the goal), the Department met an additional 18.5% at the 80% or greater level. Nine percent of the measures were not reportable because of insufficient data at the time of report publication. Performance data for the measures not reported in FY 2002 will be reported in the FY 2003 Annual Report on Performance and Accountability.
- *Activity Based Costing/Management (ABC/M).* During FY 2003, the Department is transitioning towards a full ABC/M model to integrate performance and budgeting. The Department of the Interior is expected to have fully functional ABC/M systems in place by October 1, 2003. A cost and performance reporting module will be deployed by January 1, 2004.
- *Senior Executive Service (SES) Performance Standards.* Interior's planning and human resource offices collaborated on how best to include performance results as part of each SES manager's performance appraisal. During FY 2003, SES performance evaluation and recognition will be based primarily on senior executive's accomplishments in performance elements that support their organization's relevant GPRA goals as well as financial and business performance.
- *FY 2004 Annual Performance Plan.* The FY 2004 Annual Performance Plan was published in FY 2003 in tandem with the FY 2003 Annual Performance Report.
- *GPRA Performance Tracking System.* The Department has implemented a Microsoft Access-based system to capture GPRA performance information to meet the GPRA reporting requirements on a departmentwide basis. The Department's Microsoft Access database is being used to collect quarterly performance measurement information and will be the basis for quarterly evaluations of progress in achieving GPRA goals. The system also supports data collection requirements for the Annual Accountability Report. This system will be replaced in FY 2004.

FY 2004 Planned Actions

- *FY 2003 Annual Performance and Accountability Report.* Under the Reports Consolidation Act of 2000, the Department is required to combine the Annual Performance Report and the Accountability Report into a Performance and Accountability Report. The combined report is due to Congress on November 15, 2003.

Improving Budget and Performance Integration

One of the key objectives of the GPRA is to help Congress, OMB, agency executives, and managers to develop a clear understanding of what is being achieved in relation to what is being spent. Linking planned performance with budget requests and financial reports is an

essential step in building a culture of performance management. Such an alignment brings performance expectations into budgetary deliberations, prompting organizations to reassess performance goals and strategies and more clearly understand the cost of performance.

To accomplish the integration of budget and performance, the Department is taking the following steps:

1. An initial step in integrating performance structures is the strategy of aligning the budget program activities with the strategic plan goals and measures.
2. The second step to forging a closer link between plans and budgets can be seen in efforts to show the performance consequences of requested levels of incremental funding for annual performance goals accompanying the President's budget request. The annual performance plan goal targets are set based on the funding expected to be available to achieve the goals and are consistent with the amounts shown in the bureau's budget request to OMB and the Congress and modified to reflect final congressional action on the budget request. As goals are being set, decision makers can determine whether the goals are appropriate and whether the expected level of performance is sufficient to justify the incremental change in federal expenditure and effort.
3. A final step in linking budget with performance results is to understand the cost of performance. The Department is implementing an Activity Based Costing Management (ABC/M) model to achieve this objective.

ABC/M is a management tool that attempts to ensure that every dollar spent by an organization is traced to products or services in order to identify the cost to the organization of delivering those products or services. Indirect costs are allocated to products and services. An ABC/M system gives visibility to how effectively resources are being used and how all activities contribute to the cost of a product. Information produced is used to compare costs, identify best practices, and improve business processes.

This approach helps assess the efficiency of performance, in dollar terms. The ABC/M system provides valuable data for improved decision-making by bureau managers and facilitates work process improvement at all levels of the organization because it is linked to work activities.

Constructing the standard set of work activities is the first critical step in the efforts to construct an ABC/M system. The Department held a workshop in July 2002 to define pilot work processes and activities across seven cross-bureau areas (law enforcement, invasive species, recreation, maintenance, indirect costs, wildland fire, and litigation) to begin implementing a departmentwide ABC/M system. Subsequent efforts have resulted in a set of activities to describe all the work in Interior. Further, ABC/M information can be aggregated at GPRA activity levels to help associate appropriations requests to targeted performance or at lower levels to evaluate unit costs for specific outputs (e.g., cost of riparian improvements). All of the bureaus and offices will have systems in place and operational by October 1, 2003.

Correction of Federal Financial Management Improvement Act Deficiencies

The Federal Financial Management Improvement Act (FFMIA) builds upon and complements the CFO Act, the Government Performance and Results Act, and the Government Management Reform Act. The FFMIA requires that federal agencies conform to the governmentwide Standard General Ledger; comply with all applicable federal accounting standards; establish financial management systems that meet governmentwide standards and requirements; and 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 financial statement audit opinion. 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. As a result of the material weaknesses identified in security and other controls over information technology systems and resources during the FY 2001 financial statement audit, Interior concluded that its financial management systems did not substantially comply with the financial management systems requirements of the FFMIA. In addition, the results of the financial statement audit did not allow Interior to conclude that it was in substantial compliance with all applicable federal accounting standards.

The Department is in the process of developing a remediation plan to correct the material weaknesses in security and other controls over information technology systems and resources as well as comply with all federal accounting standards. The corrective actions are targeted for completion by 2004.

Remediation Plan

Information Technology Security. Interior has developed an Information Technology (IT) Security Plan to improve controls over financial and information technology systems and to protect information resources. The implementation of the IT Security Plan should bring Interior's financial management and information technology systems into substantial compliance with the requirements of the FFMIA and OMB Circular A-130, "Management of Federal Information Resources."

IT Security Management Structure. The Department's IT Security Management Structure is aimed at providing a framework and a continuing cycle of activity for managing risks, developing and implementing security policies, assigning responsibilities, and monitoring the adequacy of Department and bureau information technology system controls.

Segregation of Duties. In some instances, the Department has not ensured proper segregation of duties for personnel working with information technology systems and applications through its policies, procedures, and organization structures. As a result, it is possible for a single individual to control key aspects of system-related information operations and thereby possibly conduct unauthorized actions or gain unauthorized access to assets or records without detection. The Department's IT Security Plan will require review and restructuring of employee roles and responsibilities to achieve a higher degree of segregation of duties in information technology system-related operations.

Access Controls. In some instances, the Department has not established access controls that limit or detect inappropriate access to information technology systems and related resources, thereby increasing the risk of unauthorized modification, loss, or disclosure of sensitive or confidential data. The Department will take action to secure network vulnerabilities and improve access control deficiencies in each of the following areas: network configuration management; password management; monitoring of security violation logs; access to program and sensitive files that control computer hardware and sensitive applications; and, other physical security controls.

Software Development and Change Controls. The Department does not have adequate controls over application software development and change controls for all of its information technology systems and applications. The Department's IT Security Plan will seek to ensure that appropriate policies, procedures, and operational controls are developed and implemented to prevent unauthorized system, program, or application modifications.

Service Continuity. The Department does not have adequate controls in place in all bureaus, programs and operations to minimize the risk of unplanned interruptions, to recover critical operations and to protect data should interruptions occur. The Department IT Security Plan provides a framework for all bureaus and offices to: identify critical operations and resources; prioritize data and operations; document emergency processing priorities; provide current backup tapes and files to secure off-site facilities; and ensure that comprehensive Continuity of Operations Plans are established and communicated for all major system applications and operation centers.

National Business Center. Interior's National Business Center (NBC) administers several financial management systems for its bureaus and external agency customers including the Federal Personnel and Payroll System, the Federal Financial System, Hyperion, and the Interior Department Electronic Acquisition System. Material weaknesses and other control deficiencies recently identified could affect the NBC's ability to prevent and detect unauthorized access and changes to its financial information, and increase the need for costly and less efficient manual controls to monitor and reconcile financial information. Although the NBC has taken prompt action to improve security and controls for its information technology systems, the NBC will take steps to improve entity-wide security planning, system configuration and operating systems, system software controls, software development and change controls, and service continuity.

Federal Accounting Standards. Interior will also fully develop and implement strengthened procedures and controls to ensure that financial statements and related disclosures are prepared in accordance with federal accounting standards.

Ensuring Management Accountability and Control

Interior 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 in the Department's care; (3) ensures high quality, responsible leadership; (4) ensures the sound delivery of services to customers; and, (5) maximizes desired program outcomes. Accordingly, the Department has developed and implemented management, administrative, and financial system controls which reasonably ensure that:

- Programs and operations achieve their intended results efficiently and effectively;
- Resources are used in accordance with the Department's 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.

To reinforce its commitment to a sound system of management, administrative, and financial system controls, Interior has established an annual GPRA Performance Goal which measures progress in completing corrective action plans for Federal Managers' Financial Integrity Act (FMFIA) material weaknesses by the original planned targeted completion date.

Further, the Department firmly believes that the timely implementation of Office of Inspector General (OIG), General Accounting Office (GAO), and Single Audit recommendations are essential to improving the efficiency and effectiveness of programs and operations, and achieving integrity and accountability goals. As a result, the Department has instituted a comprehensive audit follow-up program to ensure 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.

To reinforce its commitment to improving the efficiency and effectiveness of programs and operations through the results of OIG and GAO audits, Interior has established an annual GPRA Performance Goal which measures progress in the timely implementation of OIG and GAO audit recommendations referred to Interior for tracking of implementation.

Management Controls

The Department's goal is twofold: (1) to ensure that a sound system of management controls exists in all programs, organizations, and functions and meets the objectives and requirements of the Federal Managers' Financial Integrity Act and OMB Circular A-123; and, (2) to implement an effective and systematic approach to assessing management controls that integrates other management improvement initiatives within the Department.

Exhibit 3-4 provides a summary of the 11 material weaknesses carried over from FY 2002.

Exhibit 3-4

Pending FMFIA Material Weaknesses as of September 30, 2002			
Bureau	Material Weakness	Corrective Actions	Target Correction Date
Mission Critical Material Weaknesses			
OST, BIA, and OS/OHTA	<u>Trust Fund Management</u> : The OST's conversion to a commercial trust fund accounting system and the implementation of enhanced OST management controls during FY 2002 ensure that all collected trust funds are properly accounted for. The remaining items to correct this material weakness include: (1) OHTA's historical accounting; and (2) strengthening the existing system of controls to ensure that BIA ownership and distribution information is correct.	Departmental trust policies, procedures, systems, and internal controls will continue to be improved and training provided to achieve the goals of the Comprehensive Trust Management Plan.	FY 2006
OST and BIA	<u>Records Management</u> : Long standing deficiencies in the records management program have made it difficult to ensure the maintenance and preservation of Indian Trust records.	An updated work plan with strategies, tasks, timelines and resource requirements has been developed by the Office of Trust Records. The implementation of this work plan will resolve many of the identified deficiencies and establish an active and comprehensive records management program for BIA and OST.	FY 2006
NPS (new)	<u>Oil and Hazmat Incident Preparedness and Response Program</u> : The lack of an adequate oil and hazardous material incident preparedness and response program seriously endangers the safety of the public, employees, and park resources.	NPS will develop and implement a comprehensive corrective action plan to ensure full and complete compliance with applicable laws, regulations, executive orders, and policies to ensure the safety of the public, employees, concessionaires, and park resources.	FY 2005
NPS	<u>Inadequate Structural Fire Program</u> : The current program does not provide adequate protection of employees and visitors, contents, structures, and resources from the effects of fire as required by Director's Order No. 58.	NPS will develop and implement a comprehensive structural fire program plan as directed by Congress. The plan will include specific milestones to address the operational, organizational, technical, and staffing deficiencies cited in the May 2000 GAO audit report and July 2000 congressional hearing on fire safety failures of the NPS.	FY 2004
DEPT	<u>Inadequate Information Technology (IT) Security</u> : The increasing growth in electronic commerce and the growing vulnerabilities of information systems to unauthorized access have resulted in the need for a comprehensive improvement to IT security.	The Department has conducted a comprehensive IT security assessment to determine security and control issues in bureaus and offices. Based on the findings, the Department has developed and will implement a comprehensive information security plan, including capital budgeting requirements.	FY 2004
DEPT	<u>Inadequate Wireless Telecommunications</u> : The current wireless telecommunications program in some bureaus does not effectively support bureau and public safety operations, does not comply with Department management directives, and is not funded to achieve timely compliance.	The Department will develop and implement a plan to meet employee and public safety objectives, and restore the program to efficiency by reviewing bureau narrowband capital investment and implementation plans; revise plans to maximize radio system sharing, minimize supporting infrastructure requirements; and ensure maximum use of alternative wireless services.	FY 2004
DEPT	<u>Inadequate Departmentwide Maintenance Management Capability</u> : Interior lacks consistent, reliable, and complete information to plan for, budget, and account for resources dedicated to maintenance activities.	Identify and implement a comprehensive maintenance management system with an appropriate linkage to the accounting system; conduct comprehensive condition assessments; make determinations to repair, replace, or relocate facilities; develop a five-year Deferred Maintenance Plan and Capital improvement Plan; repair, replace, and relocate facilities to "good condition"; and reduce deferred maintenance to established goals (5 percent or less of replacement cost).	FY 2004

Exhibit 3-4 Continued

Pending FMFIA Material Weaknesses as of September 30, 2002			
Bureau	Material Weakness	Corrective Actions	Target Correction Date
Other Material Weaknesses			
BIA	<u>Irrigation Operations and Maintenance</u> : The establishment of irrigation assessment rates and collection, recording, investment, and utilization of irrigation receipts are inadequate. Operation and maintenance (O&M) receivable balances have not been kept current and billing and debt collection processes have not been consistently followed.	Publish 25 CFR 171 A and B as a Final Rule. Reconcile past O&M receivables and bring all accounts to current status. Develop Operations Handbook regarding project operation and keeping O&M assessments and collection processes current. Convert irrigation project billings and collections to the National Irrigation Management Information System (NIIMS) and interface with Federal Financial System (FFS).	FY 2004
BLM (new)	<u>Land Appraisal Function</u> : Management and oversight of the land appraisal function does not ensure that objective and independent market value opinions from qualified appraisers are used in land transactions.	Contract for an independent analysis and review of all appraisals in pending land exchange transactions. Establish a multi-agency team to review and identify systemic appraisal function deficiencies and propose appropriate corrective actions.	FY 2004
FWS	<u>Inadequate Management Controls and Audit Follow-up in the Federal Aid Program</u> : The absence of effective management controls, a centralized audit follow-up program, and guidance governing the administration of the Federal Aid Program has resulted in the ineffective management oversight and accountability for Federal Aid grant funds on a Servicewide basis.	Federal Aid process improvement teams will review reported program deficiencies in the Federal Aid Information Management System, Financial Reconciliation, Safety Margin, Grant Operations, Audit Review and Resolution, and Organization Function and Staffing Review. FWS management will evaluate the findings and recommendations of the process improvement teams and develop and implement comprehensive guidelines and organizational changes to govern the administration of the Federal Aid Program.	FY 2003
BOR	<u>Inadequate Land Inventory and Financial Reconciliations</u> : The Bureau does not have a complete and accurate inventory system to support \$1.7 billion in land and land rights.	BOR will: (1) conduct reconciliation and research to validate the accuracy of land records; (2) populate new real property system (Foundation Information for Real Property Management or FIRM) with such data; (3) develop and issue policy and procedures to ensure future quality, accuracy, and completeness of data captured in the lands and finance systems; and (4) conduct an initial and periodic reconciliation between the detailed land data maintained in FIRM and the financial accounting system to ensure the quality of information contained in both systems.	FY 2005

FY 2003 Accomplishments

- *Provided Reasonable Assurance Objectives Were Met.* Based on the preliminary results of the management control self-assessments being performed for FY 2003 as reported in the mid-year and fiscal third quarter progress reviews, the Department expects to again provide reasonable assurance to the President and the Congress that, with the exception of the concerns regarding the controls over the accuracy of ownership records and proprietary account balances in the Indian Trust Fund, the systems of management, accounting, and administrative controls, taken as a whole, achieve the objectives of the Federal Managers' Financial Integrity Act and OMB Circular A-123.
- *Corrected Material Weaknesses.* By the end of FY 2003, the Department expects to complete the corrective action plan (CAP) for one of eleven pending material weaknesses carried over from FY 2002. The CAP for the U.S. Fish and Wildlife Service Federal Aid Program material weakness was the only CAP targeted for completion in FY 2003. All but two CAP milestones were completed as planned by the end of the third fiscal quarter, and the remaining CAP milestones are expected to be completed on or before the end of the fiscal year.

The expected FY 2003 completion rate of 100 percent will exceed the Department's GPRA goal of 80 percent. Since the inception of the FMFIA, the Department has identified and reported 172 material weaknesses and 65 accounting system non-conformances. By the end of FY 2003, the Department expects to have corrected 162 of the total reported material weaknesses (94 percent) and 64 of the 65 accounting system non-conformances (98 percent). As a result, the Department expects to carry forward 10 pending material weaknesses into FY 2004, of which six are expected to again be identified as mission critical weaknesses.

- *Issued the FY 2002 Performance and Accountability Report.* The Department issued the FY 2002 Performance Accountability Report by the statutory due date of January 31, 2003. This marked the third consecutive year the report was issued by the statutory due date, and the first year the Annual Performance Report required by the GPRA was integrated into the Annual Accountability Report. The Department attained a total of six unqualified audit opinions on bureau and consolidated financial statements, two qualified audit opinions, and no opinion was issued for the U.S. Geological Survey. Thus, the Department failed to meet its goal of ten unqualified audit opinions. In June 2003, the Department was advised that it would again be awarded the Certificate of Excellence in Accountability Reporting (CEAR Award) for its FY 2002 Performance and Accountability Report, marking the third consecutive year the Department was selected as a recipient for this distinguished award. The Department is one of only six agencies to receive the CEAR Award, and one of only two agencies to receive the CEAR Award for three or more consecutive years.
- *Department Management Control and Audit Follow-up Scorecard.* The Office of Financial Management developed an internal quarterly management reporting scorecard to monitor bureau and office progress in meeting five major elements of the Management Control and Audit Follow-up programs. The scorecard format was designed to be consistent with the format used by OMB to track progress in Financial Management Improvement Initiatives under the President's Management Agenda. The program elements being monitored include: the status of management control review plans; the timely completion

of FMFIA material weaknesses corrective actions; the timely completion of audited financial statement material weaknesses and non-compliance issues; and the timely implementation of OIG and GAO audit recommendations.

FY 2004 Planned Actions

- Continue the management control and audit follow-up scorecard and quarterly status reporting program with bureaus and offices to better support the accountability goals of the Administration and the oversight performed by the Department.
- Complete corrective actions on the four pending material weaknesses carried over from FY 2003 with planned completion dates in FY 2004.
- Assist bureaus in implementing and becoming more proficient in the use of the Web-based version of the management control automated assessment tool.
- Work with the OIG and the Department's Chief Information Officer to develop a more effective and efficient approach for assessing whether adequate computer security is being provided on computer systems, including financial management systems and financial data.
- Continue recent performance in the achievement of the Association of Government Accountant's Certificate of Excellence in Accountability Reporting (CEAR) Award.

Audit Follow-up

The Department's goals are to ensure that audit recommendations designed to improve the efficiency and cost-effectiveness of programs and operations are implemented in an expeditious manner, and that disallowed costs and other funds owed to the Department which are identified in audits are collected and/or offset within reasonable or statutory time frames.

FY 2003 Accomplishments

- *Ensured the Quality of Non-Federal Audits.* During FY 2003, the OIG planned and expected to complete desk reviews of more than 200 single audit reports that were submitted by the Department of Commerce's Federal Audit Clearinghouse. The reviews were performed to ensure that the reports met the requirements of the Single Audit Act of 1984 and Office of Management and Budget Circular A-133.

The OIG also performed quality control reviews, including limited testing of support documentation, on 12 non-federal audits. The scope of these audits covered fiscal years 2001 and 2002. In conducting these reviews, the OIG applied guidance established by the President's Council on Integrity and Efficiency to: (1) ensure the audits were conducted in accordance with applicable standards and met the Single Audit Act's requirements; (2) identify deficiencies or weaknesses in the accounting practices of report preparers and, if so identified, to perform follow-up audit work; and (3) identify issues that might require management attention. The OIG also applied Bureau of Indian Affairs and U.S. Fish and Wildlife Service compliance supplements as guidance in evaluating work papers. Overall, the OIG concluded that the audits reviewed complied with the Single Audit requirements.

- *Enhanced the Audit Tracking System.* The Office of Financial Management's Audit Follow-up Program staff implemented series of enhancements to its audit tracking system, a system developed internally in FY 2002 using Microsoft Access software. The tracking system facilitates more timely and effective monitoring of bureau and office audit recommendation implementation, and provides support for program performance statistics. The system enhancements enabled the Office to improve ad hoc reporting capabilities and consolidate tracking of both programmatic and financial statement audit recommendations. In addition, the tracking system is being utilized by the OIG to provide needed data for its semi-annual reports to Congress.
- *Improved the Closure Rate of Internal Audits.* Internal audits are audits conducted by the OIG of the programs, organizations, and administrative operations of the Department. During FY 2003, over 80 internal audits were being tracked and monitored. The Department expects to close 32 audits (40 percent) and over 68 percent of all pending audit recommendations by the end of the fiscal year.

FY 2004 Planned Actions

- Continue the quarterly status reporting program with bureaus and offices to better support the accountability goals of the Administration, and the oversight performed by the Department's Management Control and Audit Follow-up Council.
- Complete 12 quality control reviews of non-federal audits each fiscal year, subject to resource availability, and continue to meet the requirements of the Single Audit Act and OMB Circular A-133.
- Continue to improve the rate of implementing audit recommendations, collecting disallowed costs, and closing audits.
- Continue to facilitate mutual agreements on audit recommendations and corrective actions between OIG and GAO auditors and bureau and office management before final audit reports are issued. This action should substantially reduce the number of audit recommendations referred to the Department for final resolution and promote timely implementation of audit recommendations.

Improving Asset Management and Financial Operations

At the end of FY 2002, the Department held assets valued at approximately \$50 billion on the balance sheet, including more than \$16 billion in physical assets, more than \$25 billion in fund balance with Treasury of which over \$18 billion are restricted financial assets related to Land and Water Conservation Fund, Reclamation Fund, Historic Preservation Fund, and the Aquatic Resources Trust Fund. Other assets include accounts receivable, loans, and inventory and operating materials. In addition, the Department manages stewardship assets including over 500 million acres of America's land mass and serves as steward for the natural and cultural resources associated with these lands; has stewardship responsibility for over 3,400 National Parks, Fish and Wildlife Refuges, National Scenic and Historic Trails, National Monuments, and National Conservation Areas; maintains museum collections containing more than 132 million museum objects including 71 million artifacts and specimens and 61 million documents; and other assets such as library collections.

It is critical for the Department to manage these assets to the benefit of the public by properly carrying out its stewardship responsibilities for the assets, and to benefit the mission of the Department. The benefits of improved asset management are more productive use of assets in carrying-out mission functions, better management of administrative costs though more efficient use of resources and more accurate cost projections.

The assets include:

- Financial assets consist of cash and other monetary assets and receivables held by the federal government. Examples of financial assets include direct loans, guaranteed loans acquired after default, cash balances, and accounts receivable.
- Physical assets consist of real and personal property owned by the federal government. Examples of real property include buildings and land; examples of personal property include computer systems, motor vehicles, and office supplies.

Further, for the effective operations of the Department, it is critical that financial management processes are operated in an effective and efficient manner. This section addresses the management of financial assets, the management of physical assets, and improvements in financial operations.

Management of Financial Assets

Effective management of receivables, costs, and collections is a critical component of the Department's overall ability to account for financial resources and to efficiently use those resources to fulfill Interior's mission and perform its programs in an effective manner. The Department's overall goals include billing and collecting amounts due the federal government in accordance with applicable laws and regulations, and to track and report costs for management purposes. Interior continues to make progress in achieving these goals.

Accounts Receivable

The Department continues to make significant progress in collection and receivable management activities. Over 70 percent of the Department's receivables originate from the enforcement of laws and regulations and audit findings. The remaining 30 percent originates from loans (direct and guaranteed) and the sale of goods and services. Consequently, traditional receivable management procedures and safeguards, such as credit worthiness checks, are often not applicable.

The Department has been working closely with the U.S. Treasury to refer its delinquent receivables over 180 days past due to the Financial Management Service for cross-servicing and/or offset in accordance with the Debt Collection Improvement Act of 1996. All bureaus and offices are currently in the process of referring eligible delinquent receivables to the U.S. Treasury for collection. A monthly reporting system has been established by the Department to monitor performance.

FY 2003 Accomplishments

- As of June 30, 2003, the Department had referred only 16 percent of the 180-day delinquent debt to the U.S. Treasury for cross-servicing in accordance with the Debt

Collection Act of 1996. We are working with BIA, MMS, and FWS to improve performance and correct debt referral reporting issues before the end of FY 2003

- Continued the special initiative to confirm and refer appropriate Bureau of Indian Affairs (BIA) delinquent debts to the U.S. Treasury for cross-servicing and added special initiatives with MMS and FWS.
- Jointly hosted a comprehensive debt referral and Treasury Report on Receivables workshop in April 2003 with Treasury's Financial Management Service which was attended by key bureau-level debt management employees.

FY 2004 Planned Actions

- Continue a special effort with BIA and MMS to refer all eligible delinquent receivables over 180 days past due to the U.S. Treasury.
- Refer 93 percent of all eligible delinquent receivables over 180 days past due to the U.S. Treasury for collection via cross-servicing and/or offset.

Cost Accounting and Cost Management

The Department performs a significant number of tasks on a reimbursable basis including interagency agreements, agreements with state and local jurisdictions, Franchise Fund, Working Capital Fund, and user charge activities. A departmentwide Activity Based Costing/Management (ABC/M) Work Group continued its work to begin implementation ABC throughout Interior by the beginning of FY 2004. In addition to accounting for costs, improved cost management is important to the Department. Listed below are some examples of the Department's efforts to minimize costs, particularly administrative costs:

- Control Unemployment Compensation Costs. For a number of years, Interior has used a contractor to: (a) verify employment; (b) process protests and appeals; (c) verify state data; and (d) produce management reports.
- Prepayment Voucher Audit of Government Bills of Lading. The Department is continuing to use and expand the services of a contractor to perform prepayment voucher audits of Government Bills of Lading. Since the start of the of the prepayment audit program in FY 1995, the Department has generated estimated savings of \$2.8 million.
- Reduce Late Payment Penalties. For the past two years, the Department has engaged in an intensive effort to reduce its late payments and late payment penalties under the Prompt Payment Act.
- Use Credit Card Technology. The Department initiated a multiple year contract in November 1999 with the Bank of America for a single card program to finance small purchases, travel, and fleet activities. This effort has greatly streamlined the processes related to procurement, travel, and fleet management and empowered field managers. Since the Bank is paid daily and extensive risk mitigation controls are in place, the Department receives substantial rebates from the contractor to use to invest in further program improvement efforts.

- *Cross-Servicing Opportunities.* In an effort to take advantage of “economies of scale”, the Department cross-services its bureaus and other federal entities via reimbursable service agreements and the Interior Franchise Fund. Some examples of these activities include: Payroll Services, Cooperative Administrative Support Units, and Financial Systems.

FY 2003 Accomplishments

- Integrated performance information with the accountability report for FY 2002.
- Estimated program savings (net of contractor costs) for FY 2003 for controlling unemployment compensation costs will be approximately \$1.9 million.
- Program benefit-to-cost ratio of the prepayment Government Bill of Lading voucher audit program yielded a ratio of \$161 for \$1 in FY 2003.
- Established departmentwide cost accounting work group to ready the Department’s financial systems to prepare cost reports on all departmentwide activities.

FY 2004 Planned Actions

- Make appropriate adjustments to improve the implementation and use of ABC/M data throughout the Department, and to continue to improve the linkage of performance data within the budget process.
- Continue the departmental effort to control unemployment compensation costs through the use of a contractor.
- Continue the departmental effort to control Government Bills of Lading costs through the use of a contractor.
- Continue the departmental effort to recover vendor payment errors through the use of recovery auditing techniques.

User Fee and Cost Recovery Activities

The Department administers a substantial user charge program. The Department collected fees totaling \$689 million from approximately 100 cost recovery activities and approximately \$8 billion from other user fee activities including royalties, rents, and bonuses related to minerals, timber, and other uses of federal lands in FY 2002. Using biennial review data collected as part of fulfilling the requirements of the CFO Act, the Department maintains and updates a database of approximately 150 user charge activities. The database includes descriptions of the activities, estimated annual collections, pricing structure, legal authority, contact personnel, and other pertinent information.

FY 2003 Accomplishments

- Performed a review of its cost recovery activities, updated the departmentwide user fee database, and prepared a summary report of cost recovery activities based on FY 2002 results.

FY 2004 Planned Actions

- Perform the biennial review of fees required by the CFO Act and improve pricing structures to achieve full cost recovery, where appropriate.

Unclaimed Assets Recovery

During the summer months we have used a summer intern to recover unclaimed assets of the Department. Unclaimed assets are assets that have been transferred to states by the U.S. Postal Service, U.S. Courts, or other entities and have not been identified by their owners. Some of these assets belong to the federal government. This effort began in the summer of 1999 and has continued since to recover unclaimed assets related to Interior programs in a very cost effective manner.

FY 2003 Accomplishments

- Contacted states where it was determined that departmental assets were being held as unclaimed. Over \$100,000 has recovered by this effort.

FY 2004 Planned Actions

- Continue the annual follow-up with the states to identify any unclaimed assets due the Department. Where identified, continue to file claims with the states to recover the unclaimed assets of the Department.

Managing Physical Assets

During FY 2003, the Department continued financial systems enhancements, which included successfully completing systems improvement efforts begun in previous years and expanding the use of outside services to support transaction processing.

FY 2003 Accomplishments

- *Improving Property Systems.* Through the DOI Property Management Partnership and bureau-specific activities, linkages among bureaus and between administrative activities and mission programs have been cultivated. The Property Management Partnership provides a structure through which bureau officials develop common strategies and agreements to improve systems, operations, services, and information on property in order to achieve efficiencies and cost effectiveness.

Current systems are using outdated technology, are not integrated, and do not have the necessary security capabilities to facilitate open access through the Internet. Interior intends to establish an integrated property system, as a module of the Financial and Business Management System (FBMS) for use by all bureaus. The Partnership continues to address needed enhancements with the objective to migrate as quickly as possible to a system that incorporates new technologies that will eliminate duplicate data entry and allow for easy and timely access to data. An integrated property system will allow users in the field and senior managers to manage their assets better, reduce unneeded inventories, and to improve accountability.

The Department entered into an agreement with the Oregon State Agency for Surplus Property (ORSASP) to use their efficient on-line asset auction service. The Agreement provides for Interior bureaus/offices to access the ORSASP's Electronic Commerce and Marketing resources (on-line auctions/sealed bids) for the public sale of vehicles, equipment, and personal property items. Based on preliminary estimates for FY 2003, the Department realized over \$2,500,000 in sales proceeds through this program.

Annually, DOI donates large quantities of equipment to schools and non-profit activities. In FY 2003, DOI donated nearly \$23 million of excess equipment to schools and non-profits. The disposal of obsolete computers and other electronics is a growing environmental issue nationwide. Most electronics contain materials that are hazardous to health and safety. The Department is working with the Federal Prisons Industries (UNICOR) to revise the existing Memorandum of Understanding (MOU) to recycle obsolete computers and electronics. All materials disposed of through this MOU are either recycled or disposed of in an environmentally sensitive manner. In addition, the Department is working with the Department of Defense to establish an MOU for DOI offices to drop off excess electronics at Defense Reutilization sites for transfer to UNICOR.

In November 2002, the Department joined with the Federal Environmental Executive, Environmental Protection Agency, and Department of Justice to host a Federal employee electronics drop-off day on the grounds of the Washington Monument. Employees brought their old or obsolete personally owned electronics to the drop-off site and all items were then transported by UNICOR for disposal. As a result of this employee drop-off event, over thirty tons of electronics were disposed of in an environmentally sensitive manner.

The Office of Acquisition and Property Management (PAM) issued a revised Interior Property Management Directive 114-60, Personal Property Management. This revised directive addressed changes in identifying capital versus operating leases, capitalization thresholds, financial accounting for transfers, and report of survey actions.

In addition, PAM issued the Real Property Financial Policy and the Real Property Financial Guidelines. The policy and guidelines established the financial management requirements in relationship to real property assets and the procedures to account for real property assets.

FY 2004 Planned Actions

- *Improving Property Systems.* Continue to address needed enhancements for a standardized property system by providing strong support for the FBMS project, in collaboration with the Property Management Partnership (PMP). The FBMS will be the fundamental functionality-driven solution supporting administrative management of the Department; hence, it represents a critical and intrinsic part of DOI's business architecture. By implementing standard data elements and administrative processes across the Department, FBMS will be a key means to apply the Department's business architecture and make it a reality. The eight functions included in this project are:

1. Budget Formulation
2. Acquisition
3. Travel
4. Real Property
5. Core Financial
6. Personnel Property and Fleet Management
7. Financial Assistance
8. Enterprise Management Information

The objective is to migrate as quickly as possible to a system that incorporates new technology that will eliminate duplicate data entry and allow for easy and timely access to data. A request for quotations was issued in August 2003 for vendors to participate in the FBMS project. Property management enhancements include the following:

1. The PMP will expand efforts to standardize and streamline personal and real property systems by contacting each bureau/office to determine the extent of common requirements that are needed to interface with the Department's planned FBMS project initiative.
2. The PMP has implemented, and will continue to modify and improve, the Screen Available and Exchange-Sale (SAVES) system, which is a standardized, departmentwide web-based system to share and report information on personal property available for reuse within Interior. The Bureau of Land Management serves as the lead bureau on SAVES, with the assistance of the National Business Center.
3. The Oregon State Agency for Surplus Property (ORSASP) has developed an efficient and practical on-line asset disposal service and the Department has a need to dispose of property in a cost effective manner. Rather than develop a system of its own, the Department has entered into an agreement with ORSASP and will continue to use this auction service. The Agreement provides for Interior bureaus/offices to access the ORSASP's Electronic Commerce and Marketing resources (on-line auctions/sealed bids) for the public sale of vehicles, equipment, and personal property items.
4. Interior established an agreement with the Department of Defense (DOD) to address the environmental concern over the disposal of unserviceable electronic assets, including computers and peripherals. Through this agreement, the National Business Center, using a DOD contractor, began a new service within Interior to recycle and de-manufacture unserviceable computer equipment in a safe and environmentally compliant way. Included in this service is the proper disposal of the many hazardous materials contained in the equipment. A Memorandum of Understanding between the Department and the Federal Prison Industries was developed to establish a nationwide recycling and de-manufacturing program for Interior's unserviceable electronic assets. Because many of DOI's facilities are located in rural areas, the Department will continue to work with DOD to establish "drop off" sites to address the logistical coordination necessary to expand this initiative in FY 2004 and meet the requirements of the UNICOR MOU.
5. As part of the FY 2003 Departmentwide performance assessment, bureaus and offices reported on two areas of specific interest: (1) motor vehicle home to work authorizations and reporting requirements; and (2) real property. The information provided by the bureaus and offices in response to the FY 03 reporting requirement will be used in

evaluating the management of home to work usage, and identify real property staffing levels, bureau policies, bureau specific authorities, financial control, and the budget and management plans.

6. In coordination with the PMP, the Office of Acquisition and Property Management will develop and implement web-based property management training to be made available departmentwide.

Improving Financial Operations

Rapid technological changes and process re-engineering have contributed greatly to the continuous modernization of payment processing and business methods/practices. It is a continuous Department effort to provide competitive and cost-effective services to its customers. The Department has established multiple initiatives that seek to eliminate outmoded approaches, maintain only essential elements and services, and use state-of-the-art technology to yield maximum benefits to the American taxpayer.

The essential elements of the program to modernize business methods and payment processes are:

- Streamlining financial and administrative processes;
- Using technology to improve the efficiency of payment processes;
- Re-writing departmental policy and guidance to empower employees;
- Identifying high payoff areas for streamlining processes and upgrading technology;
- Providing assistance to bureaus in developing requirements;
- Measuring performance; and
- Working with central agencies to develop long-term strategies for process and systems modernization.

Improving Cash Receipts Processing

Due to the Department's substantial revenue-producing activities, efforts have focused on improving collections and the processing/depositing of cash receipts more rapidly. A key emphasis of the Department's cash management program has been to accelerate cash receipts by requiring payments via wire or electronic transfer. In addition to using electronic transfers, the Department has worked cooperatively with the U.S. Treasury to establish several lockbox systems and plastic card collection networks to collect timber fees, abandoned mine land fees, water sales, park entrance fees, construction cost repayments, and state and local government reimbursements.

FY 2003 Accomplishments

- Continued efforts to convert to electronic collection methods.

FY 2004 Planned Actions

- Continue to work with Treasury's Financial Management Service to implement check conversion processing.
- Continue to use the Plastic Card Collection Network (PCCN) and Automated Clearing-house for collecting funds due the Department.

Improving Payment Processes

In performing its functions, the Department annually processes over two million (non-payroll related) payments, which account for expenditures in excess of \$6 billion each year to organizations that provide products and services to the Department. Collectively, these payments cover a broad range of payment categories (i.e., payments to vendors, payments to other federal agencies, reimbursements, grants, contracts, purchase orders, etc.), and involve an equally broad and growing array of available alternative payment mechanisms, which include U.S. Treasury checks, third party drafts, electronic funds transfers, and charge cards. The Department is seeking to improve its internal controls over payments and minimize any improper payments.

In recent years, advances in technology have aided payment processes. The Department has been an active participant in the governmentwide Electronic Commerce pilot program and has developed capabilities that will allow the Department to fully capitalize on this promising technology.

The Department has embraced the use of plastic card technology as an enabling agent to improve service to customers while improving the overall efficiency of the payments process. The growth in the dollar volume of payments made through the charge card program has increased substantially in recent years, to an annualized level of approximately \$650 million in 2003. The growth trend in the use of charge cards is expected to continue during the next five years. In addition to the decrease in finance and field office workload associated with the reduction in the number of payments that must be made, the increased use of charge cards has virtually eliminated the need to issue travel advances to employees; reduced the number and amount of late payment penalties associated with the Prompt Payment Act; substantially improved the Department's EFT performance in complying with the Debt Collection Improvement Act of 1996; reduced the number of procurement actions; and has provided additional benefits through volume-based charge card refunds which accrue to the Department.

FY 2003 Accomplishments

- Continued to improve the SmartPay Program to achieve daily payment of charge card invoices and improved the electronic interface to bureau core accounting systems.
- Continued to make progress in compliance with electronic funds transfer (EFT) requirements of the Debt Collection Improvement Act of 1996 (DCIA).

- Continued a departmental electronic funds transfer-tracking system to measure progress towards increasing the number of payments made electronically. As of June 30, 2003, 87.8 percent of vendor payments and 99 percent of salary payments were made via EFT.

FY 2004 Planned Actions

- Pursue additional opportunities for streamlining administrative functions, potential areas include:
 - Increase use of electronic purchasing; and
 - Additional streamlining of the travel process and related payments.
- Continue to eliminate imprest funds to the maximum extent possible
- Continue to convert paper check issues to electronic payments as required by the Debt Collection Improvement Act of 1996.

Preventing Erroneous Payments

The President's Management Agenda identifies erroneous benefit and assistance payments as a governmentwide issue. Passage of the Improper Payments Information Act of 2002 requires federal agencies to perform assessments of their programs to estimate and report the approximate extent of erroneous or improper payments. Interior has been working to identify and eliminate erroneous payments over the past several years and will intensify this effort based on the requirements of the Improper Payments Information Act of 2002 and the requirement to perform recovery audits.

FY 2003 Accomplishments

- Continued to measure performance related to the Single Audit Act disallowances and recoveries.
- Continued to use the services of pre-payment auditors for government bills of lading.
- Contracted with a recovery auditing firm to begin a departmentwide recovery auditing effort.
- Established a departmental action plan for implementing the Improper Payments Information Act of 2002.

FY 2004 Planned Actions

- Require bureaus to perform risk assessments of program payments as part of the Department's FY 2004 Management Control Program to determine programs with a relatively high risk of making improper payments.
- Perform Departmental Functional Review (DFR) of all payment types by payment area (i.e., payroll, vendor payments, charge card, and grants).

- Estimate the number and amount of erroneous payments made by the Department and report this data in the FY 2004 Performance and Accountability Report.
- Continue to measure Single Audit Act disallowances and continue to increase recoveries.
- Increase the usage of pre-payment and post-payment recovery auditing contractors.

Continuing to Improve Prompt Payment Performance

Acknowledging the need to improve the Department's prompt payment performance, Interior created a departmentwide team to determine the causes of late payments. After analyzing the payment process, four areas were identified as critical to achieving significant improvement. The areas identified were reviewed and discussed on a departmentwide basis with the sharing of best practices. The areas identified were as follows:

- Evaluating and tracking quality control systems;
- Updating guidelines and providing additional staff training;
- Identifying large dollar volume vendors; recurring payments; and/or utilizing fast pay; and
- Improving payment processing (including front-end procurement processing, increasing communication between procurement and finance staffs, and using remote data entry in field offices when practical).

FY 2003 Accomplishments

- As of June 30, 2003, the Department achieved an overall 98 percent rate of invoice payments that do not require late penalties under the Prompt Payment Act.

FY 2004 Planned Actions

- Continue to reduce the number of payments requiring interest penalties.
- Increase the use of electronic payment mechanisms by increasing the use of purchase cards.
- Continue to collect monthly prompt payment reports and to closely monitor payment performance until each bureau of the Department is consistently able to pay at least 97 percent of all payments on time without incurring late penalties required by the Prompt Payment Act. Six of the Department's nine bureaus have been able to achieve a greater than 97 percent on-time payment history in FY 2003 to date.

Reducing Delinquent Charge Card Accounts

Acknowledging the need to improve the Department's performance in the area of 60 days and over delinquent charge card accounts, Interior has created a departmentwide goal to

reduce the delinquencies to one percent by FY 2005. After analyzing the options, four areas were identified as critical to achieving significant improvement. The areas identified were as follows:

- Monthly Reporting of Delinquencies (including Charge-Off accounts) to management;
- Providing additional approving official and employee (traveler) training;
- Providing last known address to the charge card contractor of former employees who owe balances; and
- Implementing salary offset of current employees for recovery of delinquent charge card accounts based on a request from the contractor.

FY 2003 Accomplishments

- Continued and enhanced monthly reporting of delinquencies to management;
- Continued salary offset of current employees for recovery of delinquent charge card accounts; and
- Provided additional training to cardholders and approving officials.

FY 2004 Planned Actions

- Continue to review delinquency reports from the bank to monitor bureau performance. If results are unsatisfactory, the Department will take corrective actions.
- Continue to reduce the amount of 60 days and older delinquent charge card accounts to 2 percent of the total outstanding balance by bureau (excluding former employees).

Maximizing Opportunities for Utilizing Electronic Commerce

Interior has continued to aggressively pursue the mandate to streamline procurement through the use of Electronic Commerce (EC) by implementing EC capabilities in all major buying offices and many small field offices in the Department. This is part of the successful implementation of the IDEAS project for automation of procurement functions and the developing capabilities of the EC21 project, focusing on electronic payments. The IDEAS project is fully implemented in all of DOI's major buying offices.

Electronic commerce capabilities available through IDEAS include solicitations, awards, notifications, invoices, receiving reports, data reporting, and payments. Purchase card transactions are a major part of the Department's move to electronic commerce. Transactions in this mode have increased from 96,000 in FY 1993 to over 1.3 million in FY 2002, an increase of more than thirteen-fold. Dollars awarded through purchase cards in the same time frame increased from \$17 million to \$470.7 million, an increase of more than twenty-seven-fold. As of June 30, 2003, the Department obligated over \$289.2 million in purchase card transactions in FY 2003.

In FY 1999, 87.1 percent of all small purchase actions under \$25,000 and 51.2 percent of the dollar value of all such actions were made with the purchase card. In FY 2002, these percentages increased to 97.0 percent and 69.7 percent respectively. As of June 30, 2003, 96.6 percent of all FY 2003 small purchase actions under \$25,000 were made with the purchase card. The Department established a long-term goal of 90 percent of all purchases under \$2,500 made with a purchase card. By reaching 96.6 percent of all purchase transactions of \$25,000 or less done by purchase card and electronic purchase orders, Interior has surpassed its original goal of such actions by EC.

Also, as indicated in Chapter 2, in FY 2003, the Department of the Interior, its bureaus and offices actively supported the Presidential Management Agenda requirement to expand Electronic Government to include use of the Central Contractor Registration (CCR) as the single validated source of data on vendors doing business with the Government and to facilitate vendor enrollment for EFT. Vendors were notified throughout the year, and the CCR registration requirement was implemented Departmentwide. The Interior Department Electronic Acquisition System (IDEAS) has interfaced with the CCR since 2001 and has been used by Interior acquisition and finance personnel as a source of a wide variety of vendor information, including product/service data, addresses, and payment information.

FY 2003 Accomplishments

- Continued to provide web-based training to Integrated Charge Card Program Approving Officials (AO). Over 11,000 employees were trained between April 2002 and the end of the third quarter of FY 2003.
- Launched Integrated Charge Card Program Agency/Organization Program Coordinator (A/OPC) web-based training in the first quarter of FY 2003. By June 30, 2003 over 1,000 employees had completed the training.
- Provided Integrated Charge Card Program Reports Distribution System training to A/OPC's throughout the country. The Reports Distribution System is a tool that facilitates A/OPC management and oversight of the charge card program by generating most frequently used reports.
- By the end of the second quarter, Interior earned \$2.882 million in rebates in FY 2003.

Planned FY 2004 Actions

- Continue an integrated charge card solution for the purchase, travel, and fleet business lines under GSA's SmartPay program.
- Continue outsourcing the responsibility for charge card transaction processing to the Bank of America.
- Provide Web-based access for transaction information to Interior's purchase, travel, and fleet cardholders.

- Continue consolidating the account setup and maintenance functions for the travel, purchase, and fleet business lines.
- Maintain a “daily pay” capability.
- Strive to increase usage of Web-based electronic commerce by all remaining major purchasing offices.
- Maintain the IDEAS-EC link to the designated governmentwide point of entry, FedBizOpps, for all required solicitations and synopses.
- Test cardholder training for purchase business line (including convenience checks), and travel business line. If launched, this would be a first ever mandatory training program for travel cardholders.
- Continue IDEAS interface with the CCR, and to advise and assist vendors with the CCR registration requirement.

Shared-Service Organizations

The Department provides commonly required administrative products and services to Interior and non-Interior clients through shared-service operations. The National Business Center (NBC) and the Minerals Management Service (MMS) provide critical shared services to various Interior bureaus. In addition, the Interior Franchise Fund (IFF) provides selected services to non-Interior customers. The IFF uses both the NBC and MMS as service providers.

National Business Center

The National Business Center (NBC) serves as a departmental administrative center of excellence for a wide scope of activities. NBC is responsible for providing a full range of financial and administrative services and support and aviation management on a national level to the Office of the Secretary, Department bureaus and offices, and numerous other federal agencies. The NBC serves as host to numerous departmental administrative systems, supporting the functions of personnel, aviation safety and acquisition, finance and accounting, procurement and contracts, space and quarters management, and real and personal property management.

Specifically, the NBC provides:

- Federal payroll and personnel processing systems (FPPS & Quicktime) and services;
- Financial management systems (FFS & Momentum) and operations, including operational reviews, Treasury reporting, and training;
- Acquisition systems (IDEAS & FPDS) and services;
- Property management systems (Fixed Assets and Inventory Subsystems) and services;
- Electronic commerce;
- OIG cost negotiation team services;
- Aviation policy and fleet services;
- Human resources services;

- Information resource management systems and services, including Internet publishing;
- Telecommunications;
- Printing, graphics, and reproduction;
- Facilities management including space planning, leasing and alteration services and building maintenance, appraisal services, indirect cost negotiation services;
- Transportation and travel services;
- Quarters management services;
- Document management services;
- Mail management services, and
- Training and development services through four learning centers managed by the DOI University

The NBC also offers specialized employee services such as security clearances, medical services, drug testing, worker's compensation case management, and the accessibility technology center.

The Department operates the NBC on a full cost-recovery business basis.

FY 2003 Accomplishments

- Collaborated with bureaus through newly-formed WCF Consortium to improve delivery of administrative services, with Aviation Management Board of Directors to improve delivery of aircraft services, and with OPM and OMB to standardize and consolidate Federal payroll operations into two governmentwide partnerships (E-Payroll).
- Developed and delivered ABC/M training for the department and provided over 1700 other on-line courses to Interior employees nationwide.
- Converted 6 new clients to FFS and in the process of implementing QuickTime T&A system departmentwide.
- Exceeded departmental competitive sourcing goal of 15% and was recognized by National Center for American Indian Enterprise Development for awarding contracts to Native American/tribally owned firms.
- Partnered with DOD to purchase 508 compliant assistive technology and with 32 other agencies to design the Lewis and Clark Bicentennial Web site.
- Developed the Invoicing Web Application to support E-Commerce, an Electronic Customer Agreement System to standardize and streamline NBC business practices, and an Electronic Document Tracking System for concurrent routing, review, and editing of NBC policies and procedures.
- Reorganized NBC to consolidate like functions, eliminate redundancy, and increase transparency; established new office for strategic planning, performance management; and oversight; and established a management control and audit follow-up council.

- Appointed NBC security officer, developed and issued critical NBC-wide policies and procedures on information security, information classification, and content guidelines for the Internet, and completed computer security training for 100% of NBC employees.
- Developed NBC-wide and business-line specific strategic and intermediate performance goals and measures.

FY 2004 Planned Actions

- Expand customer base for technology oriented services to achieve greater economies of scale.
- Implement ABC/M for the remaining NBC business lines and the Office of the Secretary.
- Implement more detailed account code structure to capture cost information by business line, product or service, customer, job and task, and activity.
- Provide support as needed to the departmental FBMS project.
- Implement service level agreements for all business lines.
- Continue to make improvements in IT security throughout the NBC on behalf of departmental and non-DOI customers.
- Implement budget and performance integration for all NBC business lines.
- Implement standardized pricing, cost accounting, customer agreement, and billing practices throughout the NBC.
- Continue E-Payroll efforts with OMB, OPM, and Agriculture and implement other E-Gov initiatives throughout the NBC as available.
- Implement remaining NBC-wide and business-line specific strategic and intermediate performance goals and measures.

Minerals Management Service

The Minerals Management Services (MMS) operates as a service provider to the Interior Franchise Fund in three major categories. In the area of procurement support services, MMS provides a complete range of procurement services from inception to closeout (i.e., request for proposals through closeout of contracts). With regard to the human resources arena, MMS performs as a “full service” third party personnel office with management support services that include classification, recruitment, appraisal and awards management, employee/labor management relations, and employee development. MMS also maintains, configures, and operates an Information Technology Training Facility that may be used by other agencies on a fee-for-service basis.

FY 2003 Accomplishments

- Reconciled over 2,900 funding documents after transferring the IFF to MMS from NBC.

FY 2004 Planned Actions

- Improve the business planning process to provide end-to-end client management services.
- Develop a workforce plan to address critical staffing and training requirements.
- Continue automating client services to improve operating efficiency through electronic invoicing and electronic funding document transfer.
- Develop departmentwide acquisition services to improve acquisition award delivery cycles.

Improving Financial Data Stewardship

Financial data stewardship is the process of managing information necessary to support program and financial managers, and ensuring that data captured and reported is accurate, accessible, timely, and usable for decision-making and activity monitoring. The objective of data stewardship policy is to synchronize data collection processes, reduce data redundancy, and increase data accessibility, availability, and flexibility in a systematic manner. Effective data stewardship requires that: (1) definitions clearly describe requirements and characteristics of data to be maintained in financial management systems; (2) data be created, recorded, and reported in compliance with definitions; (3) feedback is provided when data are inadequate to meet user needs for information; and (4) data assurance provides attestation to, or comments on, the integrity of the information within the system.

The Office of Financial Management (PFM) provides overall coordination of data stewardship functions for financial data in the Department. The data stewardship function involves two levels of activities: (1) participation in governmentwide financial data standard setting; and (2) Department of the Interior financial data setting in coordination with the bureau finance operations.

The Office of Financial Management has assigned one staff person to focus on data stewardship functions, participate in governmentwide financial data standard setting activities, and coordinate with the Standard Accounting Classification Advisory Team (SACAT) on setting standards for financial data for use throughout the Department. 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 that adjustments are made to data definitions when data are inadequate to meet user needs. This function also coordinates departmental financial data definitions with the two key governmentwide financial data standard setting groups, the Financial Management Service's Standard General Ledger (SGL) Board and the Office of Management and Budget (OMB).

To coordinate the establishment and implementation of financial data standards in the Department, the bureaus and the Office of Financial Management chartered the SACAT, under the leadership of the Finance Officers' Partnership, to establish and maintain a common approach among the bureaus for addressing SGL 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.

FY 2003 Accomplishments

- Participated in the Standard General Ledger Board and Issue Resolution Committee to ensure that the Department's position is fairly presented and defended.
- Participated in the Intragovernmental Eliminations Taskforce (IGET) to develop strategies and procedures to be applied by all Departments to identify and prepare proper intradepartmental and intragovernmental elimination accounting entries for the governmentwide consolidated financial statements.
- Reported all of the Office of Surface Mining's Treasury Fund Symbols via FACTS II bulk feed for fourth quarter financial data.
- Participated in the SACAT to ensure that the bureaus' data structure is consistent with the governmentwide data model.
- Reviewed SGL voting ballots with SACAT to determine if proposed changes would meet the Department's data needs and formed consensus on voting ballots.
- Prepared the Department's FY 2002 consolidated financial statements based on the revised SGL account structure.

FY 2004 Planned Actions

- Determine how to best use the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Performance and Accountability Report.
- Work closely with the Decision Support System/Executive Information System (DSS/EIS) Team to ensure that pertinent information is delivered to executives for decision-making purposes.
- Coordinate, on a departmentwide basis, critical financial data definitions necessary for reporting to OMB, the Department of the Treasury, and for departmentwide decision-making and management. This effort will be implemented by SACAT.
- Determine how the information technology and user communities can best coordinate efforts to standardize data requirements. This effort will work through the Data Resource Management Working Group.