

CHAPTER II. DEVELOPING AN EFFECTIVE CHIEF FINANCIAL OFFICER ORGANIZATION

Background

Since the passage of the CFO Act, the Department has developed and implemented a sound CFO organization structure that is capable of successfully meeting current and future challenges in Federal financial management. The Department, like other Federal agencies, is at an important crossroads, with unrelenting pressure to do more with less. The decade of the 1990's is proving to be one of the most challenging, dynamic periods ever experienced by Federal managers. The challenge facing all CFOs is to rethink the way we conduct the government's business; provide the necessary leadership to efficiently manage resources; provide timely and accurate financial information for stakeholders and program managers; and restore the public's faith in government.

To meet this formidable challenge, the Department has developed an aggressive agenda for streamlining, reducing the cost of operations, improving financial systems, improving financial reporting and accountability, enhancing the quality of financial services to customers, and re-engineering financial and program practices and processes. The Department embarked on an ambitious benchmarking effort to systematically identify accounting and financial processes and procedures that could be standardized, improved, or eliminated to improve customer service and reduce cost. In addition, the Department convened the Finance Officers' Partnership (FOP), a group of senior financial managers from each bureau, to provide a baseline for future financial management re-engineering activities.

The Department is committed to integrating its program management functions with financial management functions (budget, financial reporting, performance measurement and analysis, and financial statement audits). The Department is also continuing its efforts to make significant contributions to the development and implementation of government-wide financial policies and programs in the areas of accounting and reporting standards, financial systems, streamlining financial management processes, franchising, and meeting the objectives of the NPR and GPRA.

Collaborative Working Relationships

The Department recognized that, in order to improve financial management and effectively re-engineer and streamline financial management activities and processes, it was imperative that collaborative working relationships between program managers and financial managers be established. Therefore, the Department has established strong collaborative working relationships through the Interior CFO Council, the FOP, and re-engineering laboratories sponsored by the Department in support of NPR. In addition, the Department has an ABACIS Bureau Partnership of MMS, OS and OSM based on a memorandum of understanding to share resources, where possible, to achieve streamlining of financial resources in the three bureaus to improve and streamline operations supported by ABACIS.

Interior CFO Council - In 1992, the Department formed the CFO Council to advise and assist the Departmental CFO in establishing and carrying out effective Department-wide financial management policies and management controls, and in efficiently and effectively implementing the CFO Act. The council assists in identifying bureau and Departmental financial management issues for consideration by the CFO including areas requiring uniformity and consistency, initiatives crossing bureau lines, criteria for selecting and promoting financial management personnel, financial management training, and development of financial statements and integrated systems, the importance of internal controls, maximization of cost recovery, selecting program performance measures, and the generation of necessary financial management plans and reports.

Administrative Services Advisory Board (ASAB) - The ASAB was established to provide executive management leadership and guidance to DOI service providers who offer administrative services on a fee-for-service basis and to provide Departmental strategic planning direction for administrative services.

Finance Officers' Partnership (FOP) - The FOP was established to enable the Department to work better and cost less through the collaborative planning, development and implementation of improved financial management policies and practices. See **Appendix B** for a description of the FOP.

Software Advisory Board (SAB) - The SAB was established as a permanent sub-committee of the FOP to provide analytical and technical support to the FOP in the areas of FFS software design, development, and implementation.

Information Technology Steering Committee (ITSC) - The ITSC is the primary review and recommendation body for information resources management in the Department. The ITSC is responsible for reviewing new and major acquisitions involving information resources management, monitoring the progress of major information systems development, recommending IRM policies and standards, and reviewing IRM budgets and strategic plans for major information systems improvements.

Standard Accounting Classification Advisory Team (SACAT) - The SACAT was chartered by the FOP to establish and maintain a common approach among the bureaus for addressing accounting classification issues including Standard General Ledger (SGL) maintenance, accounting policy and procedures, internal controls, and reporting requirements. The SACAT's primary functions are to effectively and efficiently address standard accounting classification and accounting model issues, standardize the Department's SGL accounts and accounting entries, analyze new/modi-

fied reporting requirements to ensure the SGL meets the requirements and to ensure internal controls and audit trails are maintained, establish and maintain consistency among the bureaus in financial reporting, and provide the accounting community with a basis for achieving a common understanding of accounting standards.

Property Management Partnership (PMP) - The PMP, comprised of property management officials from the bureaus and the Department, was formed in FY 1997 to increase productivity and avoid the costly development or modification of duplicative, independent, stand-alone systems.

Recent Accomplishments

Since the inception of the CFO Act, the Department has made significant progress in improving financial management. Some of the more significant achievements are summarized below:

Developed a highly effective CFO organizational structure

- Appointed a highly qualified and experienced Departmental CFO (currently vacant because of a transfer to another agency) and Deputy CFO (DCFO), as well as CFOs and DCFOs in all bureaus. Interior applies the qualifications for the Departmental CFO and DCFO positions recommended by the Office of Management and Budget and the CFO Council to all bureau CFO and DCFO positions. Established an Interior CFO Council, which includes bureau level CFOs and DCFOs, to address emerging financial management issues and to assist in coordinating financial management activities of the Department.
- Established the Finance Officers' Partnership, a self-directed team comprised of bureau finance officers and a representative from the Office of Financial Management (PFM), to develop and implement management action plans to provide high quality, cost-effective financial information and services, and continually improve financial management within the Department. The FOP and the initial 15 Project Action Teams were the direct result of recommendations developed through the "Financial Management Best Practices Project". The FOP continues to identify and charter new project action teams to address additional areas for financial management improvement.
- Prepared CFO plans at the Department level in conjunction with CFO plans prepared for each bureau; and established a performance management framework including the Organizational Development and Performance Management Steering Group to provide guidance and assistance to bureaus in developing performance measurement programs, strategic plans, and fulfilling the objectives of the GPRA.
- Established an effective working relationship with the Financial Management community through the Departmental Administrative Systems Workgroup to focus on spe-

cific Department-wide administrative system improvement efforts. In addition, the FOP will begin working with the Department's newly created Property Management Partnership (PMP), comprised of personal, real and museum property program professionals from the bureaus' and the Office of Acquisition and Property Management. The PMP is focusing on initiatives to integrate and streamline business practices, and assure proper protection, maintenance, treatment and use of Interior property.

Provided Accounting Utility Services to bureaus of the Department and similar services to non-Interior customers.

- Reduced the number of financial management systems and improve service delivery through concentrating services in centers of excellence over the past 10 years. Interior has made significant progress in this area by establishing two administrative service centers, which function as accounting utilities, to provide timely and cost-effective accounting, payroll and personnel, and other administrative services to bureaus and offices, as well as cross-servicing other agencies. In addition, Interior is one of six agencies selected to participate in the Franchise Fund Pilot Program under the Government Management Reform Act.

Benchmarked Financial Management Functions

- Initiated a "benchmarking" effort in 1993, the "Financial Management Best Practices Project", designed to systematically identify accounting and financial processes and procedures that could be standardized, improved, or eliminated to improve customer service and reduce cost. From this effort, the Department developed a Management Action Plan to undertake 15 financial management initiatives under the direction of the FOP to improve cost-effectiveness and quality of financial services; strengthen financial operations; ensure the integrity of accounting processes; and, provide for the greatest cost and FTE reductions. As a result of these initiatives and other bureau specific projects, the number of accounting and finance personnel within the central finance offices was reduced over 28 percent from FY 1994 to FY 1996. This reduction exceeded the planned reductions originally scheduled to be achieved by the end of FY 1999.
- Participated in a 1996 benchmarking process sponsored by the American Institute of Certified Public Accountants (AICPA). This effort was needed in order to update the best practices study conducted in 1993 and to assist the Department in focusing on areas where the greatest potential for other improvement exists. The AICPA benchmarking process used the Hackett Group, an Ohio corporation that specializes in business re-engineering, to provide technical expertise and a database application with detailed process definitions that have been developed specifically for the study. The Hackett Group Benchmark program is the largest, most comprehensive finance study of its kind with more than 650 companies and corporations participating worldwide. The study was completed in the fall of 1996, and Interior rated very well in all measurement areas. *Chapter VI* of this report includes additional information on this study.

The Department will continue to pursue an aggressive agenda to enhance its CFO organization and implement significant improvements in all aspects of financial management in support of the CFO Act. The Department recognizes that budgetary funding and human resource constraints, organizational streamlining, re-engineering, rightsizing, and accelerating technological advances all pose major challenges for the timely achievement of our financial management improvement goals.