

2. Financial Management

The Department manages an annual appropriation of about \$20 billion, revenues of \$9 to \$25 billion annually from onshore and offshore mineral leases, and \$3.7 billion in funds held in trust. By contract, the independent public accounting firm KPMG LLP completes the annual financial audit of the Department. KPMG LLP rendered an unqualified opinion on the consolidated financial statements of the Department for fiscal year (FY) 2009, although the Department still had six significant deficiencies in internal controls over financial reporting, of which none were considered a material weakness and five were repeated from FY 2008. In addition, KPMG LLP identified two instances in which the Department did not comply with laws and regulations in FY 2009, specifically the Single Audit Act Amendments of 1996 and the Prompt Payment Act. However, the number of control deficiencies identified for the FY 2010 review to date has significantly decreased.

The implementation of the Financial and Business Management System (FBMS) continues to be a management challenge for the Department. FBMS has been under consideration and implementation for at least 10 years. FBMS was supposed to be fully implemented by 2010, but to date only three bureaus/offices have transitioned. Complete implementation is currently estimated for 2013. The number and variety of programs across the Department make budget and performance integration particularly difficult.

On June 28, 2010, the Office of Management and Budget (OMB) issued memorandum M-10-26, titled "Immediate Review of Financial Systems IT Projects," which stated that "Federal Information Technology (IT) projects too often cost more than they should, take longer than necessary to deploy, and deliver solutions that do not meet our business needs. Although these problems exist across our IT portfolio, financial systems modernization projects in particular have consistently underperformed in terms of cost, schedule, and performance." To address these problems, OMB launched an IT project management reform effort that required "all CFO Act agencies to immediately halt the issuance of new task orders or new procurements for all financial system projects pending review and approval from OMB." OMB's assessment of FBMS is ongoing. The Department recently proposed revisions to the FBMS implementation plan to address OMB's concerns.