



**U.S. Department of the Interior
Office of Inspector General**

MANAGEMENT LETTER

**MANAGEMENT ISSUES IDENTIFIED
DURING AUDIT OF THE
BUREAU OF LAND MANAGEMENT'S
FINANCIAL STATEMENTS FOR
FISCAL YEAR 2000**

**REPORT NO. 01-I-309
MARCH 2001**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

C-IN-BLM-022-00-RA

Central Region

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March 30, 2001

MANAGEMENT LETTER

Memorandum

To: Chief Financial Officer, Bureau of Land Management

From: Anne L. Richards
Regional Audit Manager

Subject: Management Issues Identified During Audit of the Bureau of Land
Management's Financial Statements for Fiscal Year 2000 (No. 01-I-309)

In conjunction with our March 2001 audit report (No. 01-I-274) on the Bureau of Land Management's (BLM) financial statements for fiscal year 2000, we noted issues that we believe the BLM management needs to address. These issues, which are discussed in the paragraphs that follow, did not materially affect the financial statements.

PROPERTY RECORDS

The BLM did not always have valid source documents to verify the financial statement valuation (acquisition cost) for items of capitalized property. The BLM did not maintain individual property files for items of capitalized property and did not differentiate them from routine procurement transactions. In addition, although the BLM stated that documents supporting its routine transactions were retained 3 years, or 6 years and 3 months as required for specific transactions, we found that acquisition documents were not always retained for items that were either acquired within the last 3 years or were real property.

The BLM stated that it would issue an Instruction Memorandum to ensure that proper documentation is retained for its capitalized property until 3 years after disposal and as required for routine procurements.

UNDELIVERED ORDERS – CONTRACT LINE ITEM ACCOUNTING

The BLM had an internal control weakness with its procedures for liquidating undelivered orders when undelivered orders involved multiple obligation line items. The BLM's orders often have multiple line items, and contracting personnel occasionally submit vendor invoices to the payments group for payment without identifying the proper obligation line items to liquidate. When this occurs, payments personnel liquidate the first line item with funds available and continue to liquidate the obligation line items in line item order rather than matching the payment to the correct line items. Because obligation line items involve multiple appropriation subactivities, contracting personnel should identify the specific obligation line items that are to be liquidated.

The BLM stated that it would issue an Instruction Memorandum to inform contracting personnel that they are responsible for identifying the proper obligation line items on payment documents. Additionally, the BLM stated that the Instruction Memorandum would outline a procedure for contracting personnel to annotate the correct obligation codes on payment documents to accomplish this requirement.

GOVERNMENT PERFORMANCE AND RESULTS ACT

The BLM's Annual Performance Plan and Fourth Quarter Performance Review, which is an internal document for management's use, contains incomplete data and needs to be improved. The Government Performance and Results Act requires Federal agencies to develop annual performance plans that establish performance goals and performance indicators to measure the relevant outputs, service levels, and outcomes of each program activity. Subsequently, agencies are required to report actual program performance achieved compared with the performance goals expressed in the plan. The BLM's fiscal year 2000 Annual Performance Plan and the Fourth Quarter Performance Review for fiscal year 2000 reported 15 of 42 performance measures in a percentage format without stating the performance indicators (numerator and denominator) necessary to perform the calculation. Performance measures presented in this format are a ratio which do not set forth the actual performance indicators; do not provide a frame of reference for evaluating the performance indicators achieved and putting them into context with a baseline total; do not completely explain the agency's progress in reaching its strategic goals; and make the data vulnerable to error or manipulation. We suggest that the BLM, when reporting a performance measure in a percentage format, report all performance indicators used in the calculation and all relevant facts necessary for the reader to understand the data.

MUSEUM COLLECTIONS

The BLM's stewardship assets include its museum collections. Statement of Federal Financial Accounting Standards No. 8, "Supplementary Stewardship Reporting," requires Federal agencies to provide supplementary information on the number of physical units and the condition of stewardship assets. Draft guidance issued in August 2000 by the Stewardship Guidance Working Group of the Federal Accounting Standards Advisory Board emphasizes the need to differentiate between (a)

detailed records that may be needed for control purposes and (b) disclosures that are material for stewardship reporting. The BLM has chosen to report the number of collections or facilities for stewardship reporting purposes which is adequate disclosure. This does not, however, mean that item counts made for control purposes should be discontinued. As good stewards, we feel that the BLM should track individual assets and asset categories for control purposes that do not warrant separate categorization and disclosure in their stewardship reports. During fiscal year 2000, the BLM made excellent progress in establishing control over the individual assets in museum collections.

The BLM has stewardship responsibilities for control systems that can be traced to administrative rules established by the Department of the Interior. To strengthen controls over museum property, we believe that the BLM needs to implement the cataloging and inventory standards of the Departmental Manual (3 DM 411, "Standards for Managing Museum Property"), including maintaining a complete inventory listing of the items and performing periodic physical verifications of the museum property. The BLM has established a management plan to improve the accountability for museum collections. The plan includes steps to request facilities to identify, within their capabilities, the BLM's collections. During fiscal year 2000, the BLM sent questionnaires to all 190 non-Federal repositories. Among other things, the questionnaires were designed to determine the status of inventories. For example, one repository reported that it had baseline inventory by object for approximately 90 percent of its collections. Based on the early results of its management plan to improve the accountability for museum collections, we agree with the BLM's approach. We suggest that the BLM continue this approach and establish a timetable for establishing its own baseline inventory for control purposes when it has accumulated enough data.

DISPOSAL OF PROPERTY ITEMS

The BLM needs to improve its accounting for gains and losses on disposition of assets procured with funds other than working capital and helium funds. Currently, the BLM's accounting system records a gain or loss on the disposition of all assets regardless of the source of funding. When assets are to be disposed of they are transferred to the General Services Administration (GSA). The BLM's Fixed Asset System calculates a gain or loss on the disposition of all assets and enters it into the BLM's accounting system. The GSA, however, does not reimburse the BLM for the items it sells on the BLM's behalf except for assets from the working capital fund and the helium fund. Consequently, the BLM must prepare adjusting journal entries to correct its year-end accounting records for erroneous gains and losses.

The Statement of Federal Financial Accounting Standards No. 7 provides that asset transfers out without reimbursement decrease the results of operations and are recorded at book value of the asset. Accordingly, the U.S. Standard General Ledger accounting model for transfer out of assets to other Federal entities without reimbursement does not recognize a gain or loss for this type of transaction. We suggest that the BLM record the disposals of assets from funds other than the working capital fund and the helium fund as transfers or develop a new systems module to properly

account for these disposals. This would avoid the requirement to post reoccurring year-end adjusting entries for these transactions.

SUSPENSE ACCOUNT

The BLM needs to analyze the balance in its suspense account. The BLM deposits collections into the suspense account pending adjudication, resolution, or further classification of the funds. Over the last 2 fiscal years the ending balance of the suspense account has increased from \$28.9 million to \$90.5 million. The BLM provided data which disclosed several large year-end transactions that contributed to the increase in the balance during fiscal year 2000. Without a detailed analysis of the transactions in the suspense account, however, the BLM has no assurance that the transactions are processed in a timely manner.

We suggest that the BLM (1) analyze the transactions in the suspense account to ensure that transactions are processed timely and (2) more closely monitor the activity in the suspense account throughout the year.

Since this report does not contain any recommendations, a response is not required.

This letter will be listed in our semiannual report to the Congress, as required by Section 5(a) of the Inspector General Act (5 U.S.C. app. 3).

This letter is intended for the information of management of the BLM and the Office of Management and Budget and for the Congress. However, this report is a matter of public record, and its distribution is not limited.



Anne L. Richards
Regional Audit Manager

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