



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

MANAGEMENT LETTER

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

**REPORT NO. 01-I-414
JULY 2001**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Central Region

134 Union Blvd., Suite 510

Lakewood, Colorado 80228

July 17, 2001

MANAGEMENT LETTER

Memorandum

To: Commissioner, Bureau of Reclamation

From: Anne L. Richards
Regional Audit Manager

Keith Clark Deputy RAM for

Subject: Management Issues Identified During Audit of the Bureau of Reclamation's
Financial Statements for Fiscal Year 2000 (No. 01-I-414)

In conjunction with our audit report (No. 01-I-408) on the Bureau of Reclamation's financial statements for fiscal year 2000, we noted several issues that we believe management needs to address. These issues, which are discussed in the paragraphs that follow, did not materially affect the financial statements.

Interest During Construction

During our audit, Reclamation identified projects for which it had not computed interest during construction (IDC) for several years. The oversight, which was not detected promptly, occurred in part because Reclamation split a project into several project divisions. Reclamation's IDC adjustments during fiscal year 2000 totaled in excess of \$12 million. At the end of each fiscal year, Reclamation's regional offices should compute IDC for all reimbursable components of its construction projects, with the exception of irrigation projects which are non-interest bearing. We suggest that Reclamation determine whether IDC has been computed for all projects with reimbursable interest-bearing construction costs to ensure similar oversights have not occurred.

Administrative Control of Funds

Reclamation's administrative control of funds policy and directives have not been approved by the Director, Office of Budget. The purpose of administrative control of funds is to restrict obligations and expenditures against each appropriation or fund to the amount available. If obligations are incurred in excess of the amount specified in an

allotment or sub-allotment, it is a violation of the Anti-Deficiency Act. We did not, however, identify any violations of the Anti-Deficiency Act during this audit.

OMB Circular A-34, Section 50.1, states, "The Anti-Deficiency Act requires that your agency head prescribe, by regulation, a system of administrative control of funds." In November 1991, the Department of the Interior established an administrative control of funds policy in Part 328 of the Departmental Manual. The Departmental Manual states, "Each bureau or office will use the requirements of this Departmental Manual release to develop its directives containing the basic funds control principles and concepts which are to be followed. Copies of bureau or office directives or any substantive change in such directives are to be submitted to the Director, Office of Budget, for review and approval."

Reclamation indicated that, because of time constraints, it has not developed funds control policy and directives that fully comply with Part 328 of the Departmental Manual or submitted the existing policy to the Director, Office of Budget; however, Reclamation believes it has compensating controls in place. We suggest that Reclamation submit and obtain approval of its administrative control of funds policy and directives by the Director, Office of Budget.

Inadequate Computer Training Documentation

Reclamation didn't have adequate documentation to show that employees received computer security training. Reclamation management stated computer security training was held in conjunction with other training, but Reclamation couldn't document whether the required computer security training was provided to 79 percent of its employees. Reclamation stated that the required computer security training could not be verified because: (1) management is not familiar with the Automated Resource Tracking System, (2) computer training was held in conjunction with other training and not tracked separately, and (3) management did not stress the importance of documenting the training that was received. We suggest that Reclamation develop adequate policies and procedures to ensure that the required computer security training is received and documented.

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 Reclamation management and the Office of Management and Budget and for the Congress. However, this letter is a matter of public record, and its distribution is not limited. If you have any questions regarding this letter, please call Mr. James W. Johnson at 303-236-9243.

cc: Chief Financial Officer, Bureau of Reclamation
Audit Liaison Officer, Bureau of Reclamation

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