



# United States Department of the Interior

Office of Inspector General  
Washington, D.C. 20240

February 6, 2003

U.S. General Accounting Office  
Attn: Mr. John Fretwell  
441 G. Street, NW Room 5970  
Washington, DC 20548

Department of Treasury  
Attn: Director, Financial Reports Division  
Financial Management Services  
Room 509B  
3700 East-West Highway  
Hyattsville, MD 20782

Dear Sir or Madam:

Enclosed is the report for the Department of the Interior on "Applying Agreed-Upon Procedures for Intragovernmental Activity and Balances." The report was prepared by KPMG LLP (KPMG) under contract with the Department of the Interior, Office of Inspector General.

KPMG is responsible for the report, dated February 6, 2003. We monitored the progress of the engagement at key points, reviewed KPMG's report and selected related working papers, and inquired of its representatives. We continue to review KPMG's work as the final information is provided to us. Our review to date has disclosed no instances where KPMG did not comply, in all material respects, with the *Government Auditing Standards*.

If you have any questions concerning this matter, please contact me at (202) 208-5512 or Mr. Curtis Crider, Director of Financial Audits, at (202) 208-5724.

Sincerely,

  
for Roger La Rouche  
Assistant Inspector General  
for Audits

Enclosure



2001 M Street, NW  
Washington, DC 20036

ENCLOSURE

**Independent Accountants' Report on Applying Agreed-Up Procedures for  
Intragovernmental Activity and Balances**

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

We have performed the procedures enumerated in Exhibit A (attached), which were stated in the U.S. Department of the Treasury's (Treasury) Federal Agencies' Centralized Trial Balance System (FACTS) guidance, dated August 16, 2002, to assist the Treasury Financial Management Service (FMS) in the preparation of, and the U.S. General Accounting Office (GAO) in the audit of, the consolidated financial statements of the U.S. Government, and to assist the U.S. Department of the Interior (Interior) and Office of Inspector General (OIG) in evaluating Interior's assertion that it properly reported intragovernmental activity and balances in the Interior's consolidated financial statements as of and for the year ended September 30, 2002, and in its FACTS I submission to Treasury. Interior's management is responsible for the proper accounting, presentation, and reporting of its consolidated financial statements and reporting of information to Treasury.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. These procedures were agreed to by the Office of Management and Budget (OMB), FMS, GAO, Interior, and OIG. The sufficiency of these procedures is solely the responsibility of OMB, FMS, and GAO. Consequently, we make no representations regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our associated findings are presented in Exhibit A.

We were not engaged to, and did not, conduct an examination of the information addressed herein, the objective of which would be the expression of an opinion on such information. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of OMB, FMS, GAO, Interior, and OIG, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

**KPMG LLP**

February 6, 2003



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**U.S. Department of the Interior  
Agreed-Upon Procedures for  
Intragovernmental Transactions**

**Procedures and Findings**

**Procedure 1**

Review the electronic file provided by the Department's Chief Financial Officer (CFO) of the "Fiscal Year End 2002 CFO Representations for Federal Intragovernmental Activity and Balances" and copies of the "Confirmations of Intragovernmental Account Balances." For each "Yes" response for Fiduciary Categories and Non-Fiduciary Categories perform the following steps:

- Compare the amounts in such confirmations to supporting documentation. Indicate if no differences were found. Clearly explain any differences.
- Compare the adjustments, if any, identified in the reconciliation process that require recognition on the books of the reporting entity (rather than the books of the trading partner) to documentation supporting recording of such amounts in the Department's financial records. Indicate if no differences were found. Clearly explain any differences.

**Finding 1:**

1. *We obtained Interior's "FYE '02 CFO Representations for Federal Intragovernmental Activity and Balances" and copies of the related confirmations. The "FYE '02 CFO Representations for Federal Intragovernmental Activity and Balances" indicated that Interior completed the reconciliations for the Fiduciary Categories, but did not complete the reconciliations for the Non-Fiduciary Categories. In addition, we did not receive the fiduciary confirmations for Treasury Fund Symbols 14116029 – Alaska Mineral Lease Revenue, 14168147 - Aquatic Resources Trust Fund, or 14176705 – OCS Lands Act, Bonus Bids. Interior explained that Treasury assigned these reconciliations to other Federal entities.*
2. *For each "Yes" response for the Fiduciary Categories, we compared the Department's balances on the "Confirmations of Intragovernmental Account Balances" to the corresponding amounts in Interior's September 30, 2002 general ledger supporting the audited financial statements for fiscal year 2002, and identified the following differences:*

<i>Fund Symbol</i>	<i>SGL Account</i>	<i>Amount per Interior's General Ledger</i>	<i>Amount per Confirmation</i>	<i>Difference</i>	<i>Explanation</i>
14X5240000	5310G(20)	\$522,884	\$516,044	\$6,840	A
14X4163000	6310G(20)	-	782,944	(782,944)	A
14X8030000	1340G(20)	9,129	9,364	(235)	B
14X8030000	1610G(20)	24,147,341	29,167,159	(5,019,818)	B
14X8030000	5310G(20)	572,960	648,779	(75,819)	B
14X5265000	1340G(20)	146,792	151,483	(4,691)	B

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<i>Fund Symbol</i>	<i>SGL Account</i>	<i>Amount per Interior's General Ledger</i>	<i>Amount per Confirmation</i>	<i>Difference</i>	<i>Explanation</i>
14X5265000	1610G(20)	63,250,400	154,573,199	(91,322,799)	B
14X5265000	5310G(20)	1,477,271	2,379,208	(1,261,937)	B
14X5265000	7110G(20)	-	1,406	(1,406)	B
14X5265000	7210G(20)	-	21,313	(21,313)	B

*We communicated the differences noted above to Interior and requested explanations for the differences. We received the following explanations from Interior:*

- A. Interior did not provide an explanation for this difference.*
- B. The difference is a result of Interior excluding non-federal funds from the general ledger that Interior included in the confirmation. These funds represent Indian and Special Trust Funds that are not assets of the Federal government and therefore are not part of the Interior reporting entity.*

*No additional procedures were performed with respect to management's representations as to the explanations for the differences.*

*No adjustments were made to Interior's financial records as a result of the reconciliations.*

**Procedure 2**

Review the electronic file provided by the Department's CFO in the "Fiscal Year End 2002 CFO Representations for Federal Intragovernmental Activity and Balances." If the CFO responded "Yes" to item 10 under the section entitled "CFO Procedures for Federal Intragovernmental Activity and Balances" in the Federal Agencies' Centralized Trial Balance System (FACTS) guidance, dated August 16, 2002, compare the intragovernmental activity and balances per the financial records supporting the audited agency consolidated financial statements for fiscal year 2002, as to the amounts and U.S. Standard General Ledger (SGL) accounts with the final amounts and SGL accounts submitted to the U.S. Treasury Financial Management Service (FMS) in its FACTS I and/or FACTS NOTES for the fiscal year. Indicate if no differences were found. Clearly explain any differences.

**Finding 2:**

*We obtained the "FYE '02 CFO Representations for Federal Intragovernmental Activity and Balances." The CFO responded to item 10 under the section entitled "CFO Procedures for Federal Intragovernmental Activity and Balances" in the FACTS guidance dated August 16, 2002, as "Yes."*

*We compared the amounts of intragovernmental activity and balances, by SGL account, from Interior's final general ledger supporting Interior's audited consolidated financial statements for*

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*fiscal year 2002, excluding intradepartmental activity and balances, to the corresponding amounts and SGL accounts, reported to FMS in Interior's final FACTS I and/or FACTS I NOTES, and identified the following differences:*

<i>SGL Account</i>	<i>Amount per Interior's General Ledger</i>	<i>Amount per FACTS I</i>	<i>Difference</i>	<i>Explanation</i>
5100G	\$3,291,294	\$2,403,590	(\$887,704)	C
5109G	32,944	31,210	(1,734)	C
5200G	2,317,835,329	1,397,683,759	(920,151,570)	C, D
5310G	129,440,508	129,418,693	(21,815)	C
5720G	913,355,430	282,201,125	(631,154,305)	C
5730G	688,558,858	61,687,477	(626,871,381)	C
5740G	1,971,461,239	1,467,849	(1,969,993,390)	C
5745G	2,170,197,567	173,032,776	(1,997,164,791)	C
5750G	157,752,714	54,824,191	(102,928,523)	C
5755G	777,411,979	407,332,465	(370,079,514)	C
5760G	93,810,785	0	(93,810,785)	C
5765G	569,854,328	208,739,013	(361,115,315)	C
5790G	3,203,523	3,031,098	(172,425)	C
5900G	877,945,019	46,931,655	(831,013,364)	C
5990G	6,874,629,642	4,416,545,275	(2,458,084,367)	C
5991G	313,280,700	495,223,397	181,942,697	C
6100G	1,853,784,431	958,281,984	(895,502,447)	C
6790G	75,281	68,424	(6,857)	C

*We communicated the differences noted above to Interior and requested explanations for the differences. We received the following explanations from Interior:*

*C. These differences are a result of Interior recording an entry after the submission of the original FACTS I data. The entry for the difference was submitted to Treasury on January 30, 2003. This entry corrected the FACTS I elimination data on certain revenue and expense accounts and corrected the trading partner used on certain custodial revenue transactions from federal to public.*

*D. Interior did not provide an explanation for \$3,486,000 of this difference.*