



# United States Department of the Interior

Office of Inspector General  
Washington, D.C. 20240

March 5, 2003

## Memorandum

To: Chief Financial Officer, National Park Service

From: Roger La Rouché  
Assistant Inspector General for Audits

Subject: Management Issues Identified During the Audit of the National Park Service's  
Fiscal Year 2002 Financial Statements (No. 2003-I-0027)

We contracted with KPMG LLP, an independent certified public accounting firm, to audit the National Park Service's (NPS) financial statements as of September 30, 2002 and for the year then ended. In conjunction with its audit, KPMG noted certain matters involving internal control and other operational matters that should be brought to management's attention. These matters, which are discussed in the attached letter, are in addition to those reported in KPMG's audit report on NPS's financial statements (Report No. 2003-I-0021) and do not constitute reportable conditions as defined by the American Institute of Certified Public Accountants.

The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. If you have any questions regarding KPMG's letter, please contact me at (202) 208-5512.

Section 5(a) of the Inspector General Act (5 U.S.C. App. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress.

## Attachment

cc: Director, Office of Financial Management  
Director, Accounting Operations Center, National Park Service  
Audit Liaison Officer, Fish and Wildlife and Parks  
Audit Liaison Officer, National Park Service  
Focus Leader for Management Control and Audit Followup,  
Office of Financial Management



2001 M Street, NW  
Washington, DC 20036

## MANAGEMENT LETTER

December 12, 2002

Chief Financial Officer, National Park Service and  
Inspector General, U.S. Department of the Interior:

Ladies and Gentlemen:

We have audited the consolidated financial statements of the National Park Service (NPS) as of and for the years ended September 30, 2002 and 2001, and have issued our report thereon dated December 12, 2002. In planning and performing our audit of the consolidated financial statements, we considered NPS's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

### **1. Reservation Fee Processed by Third Party Service Provider**

#### Comments

NPS has outsourced the facilities reservation system to Spherix. Once every two weeks, NPS downloads a report from Spherix that shows the total reservation fees collected for each park and records the reservation fees into FFS. NPS provides the reservation fee collection reports to the parks, however, the parks do not consistently review the reservation fee collection reports. In addition, NPS does not obtain annual assurance from Spherix related to the internal controls over the reservation fee collection process.

#### Recommendations

We recommend that the parks regularly review the reservation fee collection reports to ensure the amounts collected are reasonable in relation to their expectations and past experience. We also



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recommend that NPS annually obtain assurance similar to a SAS 70 type II report that adequate controls are in place over the Spherix reservation fee collection process.

## **2. Invoice Processing**

### Comment

Certain parks manually prepare invoices and track the status of these invoices in systems that do not interface with NPS's accounting system, Federal Financing System (FFS). The parks records the revenue related to these invoices in FFS when they are collected or at the end of the fiscal year.

### Recommendation

We recommend that NPS record revenue in FFS at the time the transaction occurs. NPS should consider requiring the parks to use FFS for recording and monitoring receivables or consider developing an interface to the systems used by the parks to track and monitor receivables. This will help eliminate duplicate transaction entry and minimize the potential for errors.

## **3. Prompt Pay Interest Rate**

### Comment

NPS did not update the prompt pay interest rate in the accounting system, FFS, on a timely basis. Specifically, NPS did not decrease the prompt pay interest rate from 5.875% to 5.50% when the interest rate changed on January 1, 2002. As a result, for fourteen days since the beginning of the year, NPS paid excess prompt pay interest on certain fiscal year 2002 payments that began accruing interest after January 1, 2002.

### Recommendation

We recommend that NPS establish procedures and controls to ensure that the prompt pay interest rate is updated on a timely basis.

## **4. Accrual Reversals and De-Obligations**

### Comment

NPS needs to improve controls over reversing accruals and de-obligating funds. Specifically, NPS incorrectly reversed an accrual using a negative DD transaction code, however, the accounting system had already automatically reversed this accrual. In addition, NPS did not de-obligate \$20,000 even though NPS made related payments of \$17,386 using third-party drafts.

### Recommendation

We recommend that NPS establish controls to avoid reversing accruals that are reversed by the accounting system and to de-obligated amounts for third-party draft payments.



Our audit procedures were designed primarily to enable us to form an opinion on NPS's financial statements, and therefore, may not bring to light all weaknesses in policies or procedures that exist. However, we also take this opportunity to share our knowledge of NPS, gained during our work, to make comments and suggestions that we hope can be useful to you. We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the U.S. Department of the Interior's management and the U.S. Department of the Interior Office of Inspector General.

Very truly yours,

**KPMG LLP**