



United States Department of the Interior  
Office of Inspector General  
Washington, D.C. 20240

January 7, 2004

Memorandum

To: Director, Minerals Management Service

From: Roger La Rouché *Roger LaRouché*  
Assistant Inspector General for Audits

Subject: Management Issues Identified During the Audit of the Minerals Management Service's Fiscal Year 2003 Financial Statements  
(Report No. E-IN-MMS-0036-2004)

We contracted with KPMG LLP (KPMG), an independent certified public accounting firm to audit the Minerals Management Service's (MMS) financial statements as of September 30, 2003. In conjunction with its audit, KPMG noted certain matters involving internal controls 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 MMS's financial statements (Report No. E-IN-MMS-0066-2003) 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.

The legislation, as amended, creating the Office of Inspector General, (5 U.S.C.A. App. 3) requires semiannual reporting to Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included in our next semiannual report.

Attachment

cc: Assistant Secretary for Land and Minerals Management  
Chief Financial Officer, Minerals Management Service  
Director, Office of Financial Management  
Audit Liaison Officer, Land and Minerals Management  
Audit Liaison Officer, Minerals Management Service  
Focus Leader for Management Control and Audit Followup,  
Office of Financial Management



2001 M Street, NW  
Washington, DC 20036

November 14, 2003

Office of Inspector General and Director of Minerals Management Service,  
U.S. Department of the Interior:

We have audited the consolidated balance sheets of the Minerals Management Service (MMS) as of September 30, 2003 and 2002, and the related consolidated statements of net cost, consolidated statements of changes in net position, combined statements of budgetary resources, consolidated statements of financing, and consolidated statements of custodial activity for the years then ended, and have issued our report thereon dated November 14, 2003. In planning and performing our audit of the above financial statements of the MMS, we considered internal control 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. Improve Contingency Controls**

MMS does not have documentation indicating that MMS tested its Uninterruptible Power Supplies (UPS) within Buildings 53, 85, and 85A of its Denver office locations. Back-up power helps recover data and minimize disruptions of service in the event of power failure.

##### ***Recommendation***

We recommend that MMS perform the following steps to ensure continuity of operations in the event of a sudden and unexpected loss of power:

- a. Test the UPS, document the results of test, and maintain documentation for future reference.
- b. Test generators as part of appropriate contingency planning procedures or confirm testing with the parties responsible for maintaining the generators.



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## **2. Improve Controls over Invoice Data Entry**

MMS did not always accurately enter data for vendor invoices into the Advanced Budget/Accounting Control and Information System (ABACIS). We noted, in some instances, MMS entered the incorrect beginning and ending period of performance dates into ABACIS. MMS utilizes the period of performance dates in preparing the accounts payable accrual calculation. Although the incorrect period of performance dates that we identified did not have an effect on the accrual calculation because of the relationship of the date entered and the accrual date, the entry of incorrect dates can cause an overstatement or understatement in the accrual calculation.

### ***Recommendation***

We recommend that MMS enhance its review process to identify and correct ABACIS data entry errors.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the MMS gained during our audit to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended for the information and use of MMS's management, U.S. Department of the Interior's management, the U.S. Department of the Interior's Office of Inspector General, the Office of Management and Budget, the General Accounting Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**