



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

February 3, 2004

U.S. General Accounting Office
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." This report is required by Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. The report was prepared by KPMG LLP (KPMG) under contract with the Department of the Interior, Office of Inspector General. The contract required that the audit be performed in accordance with United States generally accepted government auditing standards, OMB Bulletin 01-02 and the General Accounting Office /President's Council on Integrity and Efficiency *Financial Audit Manual*.

KPMG is responsible for the report and for the conclusions expressed in the report. 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,

Roger La Rouche
Assistant Inspector General
for Audits



2001 M Street NW
Washington, DC 20036

**Independent Accountants' Report on Applying Agreed-Upon 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 5, 2003, solely to assist the U.S. Department of the Interior (Department) Office of Inspector General (OIG) in evaluating the Department's assertion that it properly reported intragovernmental activity and balances in the Department's consolidated financial statements as of and for the year ended September 30, 2003, and in its FACTS I submission to Treasury. The Department'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, and the sufficiency of these procedures is solely the responsibility of, the Office of Management and Budget (OMB), the U.S. Treasury Financial Management Service (FMS), and the U.S. General Accounting Office (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 the Department, OIG, OMB, FMS, and GAO, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 28, 2004



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

Procedures and Findings¹

Procedure 1

Review the electronic file provided by the Department's Chief Financial Officer (CFO) of the responses to the intragovernmental reciprocal account categories of the CFO Representations for fiduciary and non-fiduciary transactions, as described in the Treasury Financial Manual (TFM). For each "Yes" response, which indicates that a reconciliation was performed, perform the following steps:

1. Compare the amounts in such reconciliations to supporting documentation. Indicate if no differences were found. Obtain explanations in detail for any differences.
2. 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 the recording of such amounts in the Department's financial records. Indicate if no differences were found. Obtain explanations in detail for any differences.

Finding 1

We obtained the Department's responses to the intragovernmental reciprocal account categories of the CFO Representations for fiduciary and non-fiduciary transactions as described in the TFM. The "FYE '03 CFO Representations for Federal Intragovernmental Activity and Balances" indicated that the Department 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 or 14176705 – OCS Lands Act, Bonus Bids. The Department explained that Treasury assigned these reconciliations to other Federal entities.

¹ Where applicable, the procedures performed took into consideration that the consolidated financial statements and footnotes were rounded.

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For each “Yes” response for the fiduciary categories, we performed the following:

1. Compared the Department’s balances on the reconciliations to the corresponding amounts in the Department’s September 30, 2003 general ledger, and identified the following differences:

<i>Fund Symbol</i>	<i>SGL Account</i>	<i>Amount per Reconciliation</i>	<i>Amount per the Department's General Ledger</i>	<i>Difference</i>	<i>Explanation</i>
14X4163000	6310F(20)	782,944	-	(782,944)	B
14X5015000	5310F(20)	23,619,923	23,519,909	(100,014)	B
14X5029	5310F(20)	8,427,175	8,500,878	73,703	B
14X5029	7110F(20)(Gain)	176,715	-	(176,715)	B
14X5029	7210F(20)(Loss)	608	-	(608)	B
14X5174000	5310F(20)	3,989,773	4,027,247	37,474	B
14X519800	5310F(20)	2,116,461	2,119,303	2,842	B
14X5265000	1340F(20)	77,788	77,432	(356)	A
14X5265000	1610F / 1630F(20)	64,179,467	47,579,633	(16,599,834)	A
14X5265000	1613F / 1633F(20)	-	30,026	30,026	B
14X5265000	5310F(20)	1,840,346	1,172,666	(667,680)	A
14X8030000	1340F(20)	8,243	8,211	(32)	A
14X8030000	1610F / 1630F(20)	29,738,013	28,336,303	(1,401,710)	A
14X8030000	1613F / 1633F(20)	-	15,207	15,207	B
14X8030000	5310F(20)	626,305	558,834	(67,471)	A
20X8147	5310F(20)	40,949,458	36,068,556	(4,880,902)	B
14X4415000	6310F(20)	150,126	1,358,428	1,208,302	B
14X4416000	6310F(20)	1,613,161	1,695,588	82,427	B
14X5240000	5310F(20)	349,321	347,822	(1,499)	B
14X5648000	5310F(20)	504,419	502,559	(1,860)	B

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

- A. The difference is a result of the Department excluding non-federal funds from the general ledger that the Department included in the reconciliation. These funds represent Indian and Special Trust Funds that are not assets of the Federal government and therefore are not part of the Department’s reporting entity.
- B. The Department indicated that they believe the difference is immaterial.

No additional procedures were performed with respect to management’s explanations as to the reasons for the differences.

2. No adjustments were recorded to the Department’s financial records as a result of the reconciliations.

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Procedure 2

Review the electronic file provided by the Department's CFO of the responses to the CFO Representations for intragovernmental activity and balances. For each "Yes" response, indicating that intragovernmental activity and balances, excluding intradepartmental activity and balances, agree with the final amounts reported on FACTS I and or FACTS I notes, perform the following step:

1. Compare the amounts, excluding intradepartmental activity and balances, in the audited agency consolidated financial statements to such amounts in the agency's final FACTS I and /or FACTS I Notes report. Indicate if no differences were found. Obtain explanations in detail for any differences.

Finding 2

We obtained the responses to the CFO Representations for intragovernmental activity and balances. The Department's CFO answered "Yes" in the FY 2003 CFO Representation to the 3 financial statement disclosure questions, indicating that the Department's reciprocal account balances and activity reconcile within 90% of the trading partner amounts; that gross cost and earned revenue by budget functional classification were reported in compliance with OMB Bulletin No. 01-09; and that intragovernmental activity and balances were disclosed as Required Supplementary Stewardship Information in compliance with OMB Bulletin No. 01-09.

For the "Yes" response related to reconciliation of reciprocal account balances and activity with trading partners, we compared the amounts, excluding intradepartmental activity and balances, in the Department's general ledger used to prepare the audited consolidated financial statements to such amounts in the Department's final FACTS I, and identified the following difference:

<i>Reciprocal Category</i>	<i>SGL Account</i>	<i>Amount per the Department's General Ledger</i>	<i>Amount per FACTS I</i>	<i>Difference</i>	<i>Explanation</i>
Interest Revenue	5310G	119,711,083	119,690,503	20,580	A

We received the following explanation from the Department for the difference:

- A. The difference represents the Department's elimination entry submitted to Treasury as entity 14999999.

No additional procedures were performed with respect to management's representation as to the reason for the difference.

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For the “Yes” response related to disclosure of gross costs and earned revenue, we compared the amounts, excluding intradepartmental activity and balances, in the Department’s audited financial statements, Footnote 19 Gross Cost and Earned Revenue by Budget Subfunction Classification, to such amounts in the Department’s final FACTS I, and identified the following differences:

Gross Costs:

<i>Budget Subfunction</i>	<i>Amount per FACTS I</i>	<i>Amount per Footnote 19</i>	<i>Difference</i>	<i>Explanation</i>
BFS 300	-	1,814,142,000	(1,814,142,000)	A
BFS 400	-	11,449,000	(11,449,000)	A
BFS 450	-	286,503,000	(286,503,000)	A
BFS 500	-	5,374,000	(5,374,000)	A
BFS 800	-	82,144,000	(82,144,000)	A

Earned Revenue:

<i>Budget Subfunction</i>	<i>Amount per FACTS I</i>	<i>Amount per Footnote 19</i>	<i>Difference</i>	<i>Explanation</i>
BFS 300	-	2,114,575,000	(2,114,575,000)	A
BFS 450	-	202,700,000	(202,700,000)	A
BFS 800	-	295,000	(295,000)	A

We received the following explanation from the Department for the differences:

- A. The Department did not enter balances in the FACTS I Statement of Net Cost AGW intragovernmental section because Treasury did not populate this section.

No additional procedures were performed with respect to management’s representation as to the reason for the differences.

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For the “Yes” response related to disclosure of intragovernmental balances and activity as RSI, we compared the amounts, excluding intradepartmental activity and balances, in the Department’s audited financial statements, Required Supplementary Information – Intragovernmental Transaction Disclosures, to such amounts in the Department’s final FACTS I, and identified the following differences:

<i>Account</i>	<i>Amount per the Department’s RSI</i>	<i>Amount per FACTS I</i>	<i>Difference</i>	<i>Explanation</i>
Accounts and Interest Receivable	390,747,000	390,899,570	(152,570)	C
Accounts Payable	67,838,000	61,404,511	6,433,489	C
Accrued Payroll and Benefits	185,437,000	185,435,615	1,385	C
Net Transfers	69,200,000	69,138,103	61,897	C
Other Non-Exchange Revenue	87,293,000	130,840,414	(43,547,414)	A
Imputed Financing Sources	570,544,000	570,542,354	1,646	C
Sales of Goods and Services	2,317,570,000	-	2,317,570,000	B
Expenses	2,246,302,000	-	2,246,302,000	B

We received the following explanations from the Department for the differences:

- A. Other non-exchange revenue in the FACTS I Statement of Changes in Net Position AGW includes non-exchange revenue from Federal and public sources, while the other non-exchange revenue in the Required Supplementary Information section only includes revenue from Federal sources.
- B. The Department did not enter balances in the FACTS I Statement of Net Cost AGW intragovernmental section because Treasury did not populate this section.
- C. The Department indicated that they believe the difference is immaterial.

No additional procedures were performed with respect to management’s representations as to the reasons for the differences.

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Procedure 3

Review the “Status of Disposition of Identified Differences” form on intragovernmental activity reported in FACTS I (provided by the CFO). Comment indicating your agreement or disagreement, with the data provided by the CFO.

Finding 3

We have read the “Status of Disposition of Identified Differences” form on intragovernmental activity reported in FACTS I. We compared the information on the form to correspondence between the Department of the Interior, Department of Energy, and OMB explaining the cause for the identified differences between the Department of the Interior and the Department of Energy and found such information to be in agreement. However, we did not receive supporting documentation for the disposition of a \$462,452,687 difference with trading partner 21 (Army) or for the disposition of a \$1,127,957,847 difference with trading partner 47 (General Services Administration). The Department indicated that they did not have access to supporting documentation at the Army or General Services Administration.