



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

# **INDEPENDENT AUDITORS' REPORT ON THE U.S. DEPARTMENT OF THE INTERIOR FINANCIAL STATEMENTS FOR FISCAL YEARS 2011 AND 2010**

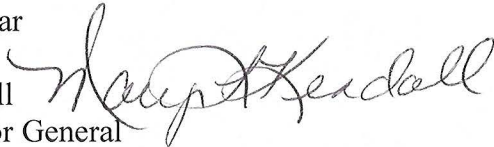


**OFFICE OF  
INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

**NOV 15 2011**

**Memorandum**

To: Secretary Salazar

From: Mary L. Kendall   
Acting Inspector General

Subject: Independent Auditors' Report on the U.S. Department of the Interior Financial Statements for Fiscal Years 2011 and 2010  
Report No. X-IN-MOA-0006-2011

**Introduction**

This memorandum transmits the KPMG LLP (KPMG) auditors' report of the U.S. Department of the Interior (DOI) financial statements for fiscal years (FYs) 2011 and 2010. The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the DOI Inspector General or an independent auditor, as determined by the Inspector General, to audit the DOI financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General (OIG), KPMG, an independent public accounting firm, performed an audit of the DOI FY2011 and FY2010 financial statements. The contract required that the audit be performed in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States and Office of Management and Budget Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements."

**Results of Independent Audit**

In its audit report, KPMG issued an unqualified opinion on the DOI financial statements. However, KPMG identified one material weakness and three significant deficiencies in internal controls over financial reporting. In addition, KPMG identified two instances in which DOI did not comply with laws and regulations, specifically, the Single Audit Act Amendments of 1996 and the Federal Financial Management Improvement Act of 1996.

KPMG performed auditing procedures at Departmental Offices, Indian Affairs, Bureau of Reclamation, National Park Service, U.S. Geological Survey, Bureau of Land Management, U.S. Fish and Wildlife Service, Bureau of Ocean Energy Management, Regulation and Enforcement, and Office of Surface Mining, Reclamation and Enforcement to support the DOI consolidated financial statement audit.

## **Evaluation of KPMG Audit Performance**

To ensure the quality of the audit work performed, the OIG:

- reviewed KPMG's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with DOI management to discuss audit progress, findings, and recommendations;
- reviewed KPMG's audit report; and
- performed other procedures we deemed necessary.

KPMG is responsible for the attached auditors' report, and the conclusions expressed in it. We do not express an opinion on DOI financial statements nor on KPMG's conclusions regarding the effectiveness of internal controls or compliance with laws and regulations.

## **Report Distribution**

The legislation creating the OIG requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and unimplemented recommendations. Therefore, we will include a summary of the information contained in the attached audit report in our next semiannual report. The distribution of the report is not restricted, and copies are available for public inspection.

We appreciate the cooperation and assistance of DOI personnel during the audit. If you have any questions regarding the report, please contact me at 202-208-5745.

Attachments



**KPMG LLP**  
 2001 M Street, NW  
 Washington, DC 20036-3389

## Independent Auditors' Report

Secretary and Acting Inspector General,  
 U.S. Department of the Interior:

We have audited the accompanying balance sheets of the U.S. Department of the Interior (Interior) as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended (hereinafter referred to as "financial statements"). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2011 audit, we also considered Interior's internal control over financial reporting and tested Interior's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these financial statements.

### Summary

As stated in our opinion on the financial statements, we concluded that Interior's financial statements as of and for the years ended September 30, 2011 and 2010, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal control over financial reporting resulted in identifying a deficiency that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies, as defined in the Internal Control Over Financial Reporting section of this report, as follows:

#### Material Weakness

A. Controls Over Contingencies

#### Significant Deficiencies

- B. Information Technology Controls Over Financial Management Systems
- C. Controls Over Undelivered Orders
- D. Grant Monitoring Controls

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended:

- E. *Single Audit Act Amendments of 1996*
- F. *Federal Financial Management Improvement Act of 1996*





The following sections discuss our opinion on Interior's financial statements; our consideration of Interior's internal control over financial reporting; our tests of Interior's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

## **Opinion on the Financial Statements**

We have audited the accompanying balance sheets of the U.S. Department of the Interior as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Interior as of September 30, 2011 and 2010, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information in the Message From the Secretary, About This Report, Message From the Chief Financial Officer, and Other Accompanying Information sections is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

## **Internal Control Over Financial Reporting**

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, in our fiscal year 2011 audit, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below to be a material weakness.



## **A. Controls Over Contingencies**

Interior should improve controls to ensure contingencies for asserted and unasserted litigation, claims, and assessments (i.e., matters) are promptly and accurately recorded or disclosed and properly classified. Interior prepares a summary letter for each matter that Interior used to determine the estimated contingent liabilities reported on the balance sheet and estimated potential losses disclosed in the notes to the financial statements; however, Interior did not consistently prepare the summary letters because the progress of the case noted in the summary letter was not consistent with the government's response, outcome of the matter, and estimated range of loss documented in the summary letters for certain matters. In addition, Interior did not consistently update the outcome of the matter and estimated range of loss documented in the summary letters for progress that occurred.

Interior did not consistently prepare and update the summary letters because individuals responsible for preparing and updating the summary letters had limited time due to competing priorities and management did not effectively review the summary letters. As a result, the summary letters understated the contingent liabilities reported on the balance sheet by approximately \$855 million, understated the estimated upper end of the range of loss for probable matters by approximately \$813 million, overstated the estimated lower end of the range of loss for reasonably possible matters by approximately \$954 million, and overstated the estimated upper end of the range of loss for reasonably possible matters by approximately \$976 million. In response to our findings, Interior corrected the summary letters and adjusted the contingent liabilities reported on the balance sheet and estimated potential losses disclosed in the notes to the financial statements.

### **Recommendations**

We recommend that Interior improve controls over contingencies for asserted and unasserted litigation, claims, and assessments as follows:

1. Dedicate sufficient resources to prepare, update, and review the summary letters.
2. Provide training to summary letter preparers and reviewers on what should be documented in the summary letters, when to designate a matter as probable versus reasonably possible or remote, and the need to consistently prepare all sections of the summary letters.
3. Continue to have finance team members review the summary letters and meet with the solicitor's office to discuss matters.
4. Require managers to review the summary letters to ensure that the summary letters are updated and that all sections of the summary letter are consistent and document evidence of their review.

### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies.



## **B. Information Technology Controls Over Financial Management Systems**

Interior did not have adequate information technology controls to protect its financial management systems as required by OMB Circular No. A-130, *Management of Federal Information Resources*. These conditions could affect Interior's ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive information, and protect its information resources. Although Interior has improved its application and general controls, Interior should continue improving the information technology controls over its financial management systems, as discussed below.

### **1. Access Controls**

Access controls protect financial and sensitive information from unauthorized modification, disclosure, and loss; however, Interior did not fully establish controls to prevent and detect unauthorized access. One Interior component had user access policies that were not consistent with Interior's Department-wide guidance. In addition, Interior did not consistently approve user access before granting access, document review and approval of user access, recertify user access, and maintain user access documentation for six applications. Interior also did not consistently remove terminated users' access to six applications timely. Furthermore, Interior did not establish controls over contractor access to applications. Additionally, Interior did not limit access to audit log configuration to appropriate personnel for one application. Finally, Interior did not consistently configure applications to prepare audit logs, review audit logs, or document that audit log reviews were completed for two applications.

### **2. Configuration Management**

Configuration management controls ensure that only authorized programs and modifications are implemented. Interior did not restrict access to appropriate personnel for one application. In addition, Interior did not consistently maintain test documentation for changes made to two applications and did not maintain an inventory of changes for another application. Furthermore, Interior did not effectively segregate responsibilities for testing and migrating changes in one application. Finally, Interior did not fully segregate conflicting user responsibilities in three applications.

### **3. Service Continuity**

Service continuity plans protect information resources, minimize the risk of unplanned interruptions, and recover critical operations should interruptions occur. Interior did not have a formal approved contingency plan for one application.

## **Recommendations**

We recommend that Interior continue to improve the information technology controls over its financial management systems to ensure adequate security and protection of the systems as follows:

1. Issue consistent user access policies, approve user access before granting access, document review and approval of user access, recertify user access, maintain user access documentation, remove access for terminated users, establish controls over contractor access to applications, limit access to audit log configuration, prepare audit logs, review audit logs, and document audit log reviews.
2. Restrict application access to appropriate personnel, maintain test documentation for changes made to applications, maintain an inventory of changes, and segregate responsibilities.
3. Finalize and approve the contingency plan.

## **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.



### **C. Controls Over Undelivered Orders**

Interior obligates its budgetary resources when placing orders with other federal entities and public organizations and reduces the order balances as goods and services are received. Interior policies require Interior components to review and certify undelivered orders quarterly and to de-obligate invalid obligations. Although Interior has improved compliance with its policies, Interior should continue improving the effectiveness of the review and certification procedures because Interior incorrectly certified undelivered orders of approximately \$52 million. In addition, Interior did not review and approve 3 of the 45 de-obligation transactions tested. Finally, Interior recorded invalid recoveries or did not record recoveries of undelivered orders timely for approximately \$49 million. As a result of our observations, Interior analyzed and adjusted its undelivered orders and recoveries.

#### **Recommendations**

We recommend that Interior improve controls over its undelivered orders as follows:

1. Provide training to program and finance personnel on certifying and closing out undelivered orders and review and approval of de-obligation transactions.
2. Improve the effectiveness of the review and certifications of undelivered orders.
3. Monitor and close out, as appropriate, undelivered orders with minimal to no activity during the past three months, on at least a quarterly basis.
4. Analyze system-generated recoveries to ensure that the transactions are valid recoveries.

#### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

### **D. Grant Monitoring Controls**

Interior should improve controls over grant monitoring as Interior is required to monitor its grantees in accordance with the *Single Audit Act Amendments of 1996*, the related OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular No. A-133), and other laws. Interior did not have a complete listing of grant awards or grantees to ensure that it monitored grantees, obtained single audit reports, and issued management decisions on audit findings. In addition, Interior did not clearly define and communicate grant monitoring responsibilities. As a result, Interior did not obtain single audit reports within nine months of the grantee's fiscal year-end for 5 of 58 grantees tested and did not issue management decisions on audit findings within six months after receipt of single audit reports for 3 of the 58 grantees tested. Interior also did not obtain or follow up on past due financial, narrative, and progress reports for 10 of the 64 grantees tested. Finally, Interior did not review 4 of the 44 grantees' financial reports tested.

#### **Recommendations**

We recommend that Interior improve its grant monitoring process as follows:

1. Maintain a complete and accurate listing of grantees to enable monitoring of grantees, receipt of single audit reports, and issuance of management decisions on findings.
2. Revise the grant monitoring policies and procedures to clearly define who is responsible for following up on single audit reports not received and issuance of management decisions on findings.
3. Communicate the updated grant monitoring policies and procedures to those responsible for implementing such policies and procedures.





4. Issue management decisions on audit findings within six months after receipt of single audit reports and verify that grantees take appropriate and timely corrective action.
5. Follow up on single audit, financial, narrative, and progress reports not received and consider the need to limit future grant awards until these reports are received.
6. Review the financial reports that are received.

#### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

Exhibit I presents the status of prior year significant deficiencies. We noted certain additional matters that we will report to management of Interior in a separate letter.

#### **Compliance and Other Matters**

The results of certain of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed one instance of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, and are described below.

#### **E. Single Audit Act Amendments of 1996**

As discussed in the Internal Control Over Financial Reporting section of this report, Interior did not perform adequate monitoring of grantees in accordance with the *Single Audit Act Amendments of 1996*, the related OMB Circular No. A-133, and other laws. Interior did not consistently obtain and review financial, narrative, progress, and single audit reports, issue management decisions on audit findings, and monitor grantees timely.

#### **Recommendation**

We recommend that in fiscal year 2012, Interior obtain financial, narrative, progress, and single audit reports, issue management decisions on audit findings, and monitor grantees to ensure compliance with the *Single Audit Act Amendments of 1996*, the related OMB Circular No. A-133, and other laws.

#### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

The results of our other tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed instances, described below, where Interior's financial management systems did not substantially comply with applicable Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which Interior's financial management systems did not substantially comply with Federal financial management systems requirements and the United States Government Standard General Ledger at the transaction level.



## **F. Federal Financial Management Improvement Act of 1996**

Interior is required to prepare its financial statements in accordance with applicable Federal accounting standards. As discussed in the Internal Control Over Financial Reporting section of this report, we identified a material weakness related to controls over contingencies that affected Interior's ability to prepare its financial statements in accordance with Federal accounting standards. As a result of these deficiencies, Interior's financial management systems did not substantially comply with the applicable Federal accounting standards.

### **Recommendation**

We recommend that in fiscal year 2012, Interior improve its internal controls over contingencies to ensure that Interior's financial management systems comply with the Federal accounting standards.

### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendation.

\* \* \* \* \*

## **Responsibilities**

**Management's Responsibilities.** Management is responsible for the financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, contracts, and grant agreements applicable to Interior.

**Auditors' Responsibilities.** Our responsibility is to express an opinion on the fiscal year 2011 and 2010 financial statements of Interior based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Interior's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.



In planning and performing our fiscal year 2011 audit, we considered Interior's internal control over financial reporting by obtaining an understanding of Interior's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Interior's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Interior's internal control over financial reporting. We did not test all controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As part of obtaining reasonable assurance about whether Interior's fiscal year 2011 financial statements are free of material misstatement, we performed tests of Interior's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to Interior. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

---

Interior's response to the findings identified in our audit are presented as a separate attachment to this report. We did not audit Interior's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Interior's management, Interior's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

November 15, 2011

## U.S DEPARTMENT OF THE INTERIOR

## Status of Prior Year Findings

September 30, 2011

<b>FY2010 Ref</b>	<b>Fiscal Year 2010 Finding</b>	<b>Status of Fiscal Year 2010 Findings</b>
<b>A</b>	Information Technology Controls over Financial Management Systems	This condition has not been corrected and is repeated in fiscal year 2011. See finding B.
<b>B</b>	Controls over Undelivered Orders	This condition has not been corrected and is repeated in fiscal year 2011. See finding C.
<b>C</b>	Monitoring Legislation	This condition has been corrected.
<b>D</b>	Grant Monitoring Controls	This condition has not been corrected and is repeated in fiscal year 2011. See finding D.
<b>E</b>	<i>Anti-deficiency Act</i>	This condition has been corrected.
<b>F</b>	<i>Single Audit Act Amendments of 1996</i>	This condition has not been corrected and is repeated in fiscal year 2011. See finding E.
<b>G</b>	<i>Prompt Payment Act</i>	This condition has been corrected.



# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

NOV 14 2011

## Memorandum

To: Mary L. Kendall  
Acting Inspector General

KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

From: Rhea Suh *R. Suh*  
Assistant Secretary - Policy, Management and Budget and  
Chief Financial Officer

Subject: Management's Response to Independent Auditors' Report for Fiscal Year 2011  
(Assignment No. X-IN-MOA-0006-2011)

The Department of the Interior has reviewed the draft Auditors' Report prepared by KPMG LLP. We are pleased that the result of the audit is an unqualified opinion on the Department's Consolidated Financial Statements. The Department appreciates the recognition noted of the progress we have achieved during Fiscal Year (FY) 2011 in further improving our financial management. We also appreciate the additional recommendations and notes of the auditors. We look forward to working with you to continue improving financial management in the Department. Our response to the findings and recommendations follow.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

### Material Weakness

#### A. Controls over Contingencies

**Management concurs.** A Department-wide corrective action plan is being implemented to ensure that contingencies for asserted and unasserted litigation, claims, and assessments are promptly and accurately recorded or disclosed and properly classified. Interior is taking action to provide training on the effective and consistent completion of case summaries, ensure reviews of case summaries are completed timely and thoroughly and establish effective communication channels between the Department, the Solicitor, and the bureaus. As a result, the Department's process for reviewing contingencies for asserted and unasserted litigation, claims, and assessments will be strengthened and communication between the Department, the Solicitor, and the components responsible for monitoring and recording each claim will be enhanced.



## **Significant Deficiencies**

### **B. Information Technology Controls over Financial Management Systems**

**Management concurs.** During FY 2011 Interior continued to improve its information technology controls including policies and guidance. In FY 2012, we will continue to enhance application and general controls over financial management systems with a specific focus on the areas of access controls, configuration management, and service continuity. We strive to improve and strengthen the related programmatic aspects of Information Technology (IT) security programs (including awareness training) and will continue to review all aspects of the IT program for refinement. We are in the process of implementing reforms including the consolidation of information technology infrastructure, management, and oversight that will improve the efficiency and effectiveness of IT services and our ability to ensure the implementation of policies and controls.

### **C. Controls over Undelivered Orders**

**Management concurs.** Interior and its components will continue to enhance its controls over undelivered orders (UDO). We will continue to improve the quarterly review and certification process and provide training over certifying and closing aged and completed UDO's. We will also analyze the treatment of expired orders in order to develop effective modification procedures. Additionally, we will evaluate our process for analyzing system-generated recoveries to ensure the appropriateness of those transactions. Management is committed to bringing its components together to address the deficiencies noted in an integrated and consistent manner.

### **D. Grant Monitoring Controls**

**Management concurs.** Management will continue to improve grantee communication and outreach procedures to yield a timelier and more effective single audit recipient and follow-up process. The Department and its components will enhance its system for maintaining an inventory of grantees to provide a more robust means for monitoring grantees and ensure receipt of single audit, financial status, and grant performance reports. Interior will continue to work with the components to ensure that all necessary reports are obtained and that management decisions on audit findings are issued in a timely and compliant manner. In FY 2012 Interior will also evaluate its grant monitoring policies and processes to ensure that grant monitoring roles and responsibilities are properly defined and communicated.

## **COMPLIANCE AND OTHER MATTERS**

### **E. Single Audit Act Amendments of 1996**

**Management concurs.** As noted in the Grant Monitoring Controls section above, the Department will work to obtain single audit, financial status, grant performance, and annual reports in a timely manner. Enhancements will continue to be made to the business process for complying with the *Single Audit Act Amendments of 1996*.

***F. Federal Financial Management Improvement Act of 1996***

**Management concurs.** As noted in the Controls over Contingencies section above, the Department is implementing procedures to ensure the effective and timely review of contingencies for asserted and unasserted litigation, claims, and assessments. As a result, the Department's process for reviewing and recording contingencies for asserted and unasserted litigation, claims, and assessments will be strengthened.

In closing, I would again like to thank your offices for their contributions to a strong and ever improving internal control environment within the Department. Interior is committed to the prompt resolution of the deficiencies that have been identified. Corrective action plans are being developed and implemented for each of these findings, and plans will be monitored and tracked through completion.