

RECLAMATION

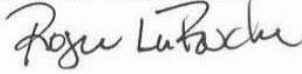
Financial Section



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

December 8, 2003

Memorandum

To: Commissioner, Bureau of Reclamation
From: Roger La Rouche 
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the Bureau of Reclamation's Financial Statements for Fiscal Years 2003 and 2002 (Report No. C-IN-BOR-0077-2003)

We contracted with KPMG LLP (KPMG), an independent certified public accounting firm, to audit the Bureau of Reclamation's (BOR) financial statements as of September 30, 2003, and for the year then ended. The contract required that KPMG conduct its audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of America, Office of Management and Budget Bulletin 01-02, *Audit Requirements for Federal Financial Statements*, and the General Accounting Office/President's Council on Integrity and Efficiency, *Financial Audit Manual*.

In its Independent Auditor's Report dated November 3, 2003, (Attachment 1) KPMG issued an unqualified opinion on BOR's financial statements. KPMG identified six reportable conditions related to internal controls and financial operations: (A) controls over land inventory, (B) application and general controls over financial management systems, (C) controls over construction-work-in-progress and structures and facilities accounts, (D) controls over accrued liabilities, (E) controls over revenue recognition on prepayment of repayment contracts, and (F) controls over accounting for intradepartmental transactions. KPMG considers the first reportable condition to be a material weakness. With regard to compliance with laws and regulations, KPMG found BOR to be noncompliant with portions of the Federal Financial Management Improvement Act (FFMIA). Specifically, BOR's financial management systems did not substantially comply with Federal financial management systems requirements and Federal accounting standards.

BOR management disagreed with the designation of Finding B, application and general controls over financial management systems and Finding F, controls over accounting for intradepartmental transactions, as reportable conditions. BOR also disagreed that it was noncompliant with FFMIA. BOR's response is in Attachment 2.

KPMG is responsible for the auditors' report and for the conclusions expressed in the report. We do not express opinions on the Bureau of Reclamation's financial statements, conclusions on the effectiveness of internal control, conclusions on whether the Bureau of Reclamation's financial management systems substantially complied with FFMIA; or conclusions on compliance with laws and regulations.

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.

We appreciate the cooperation and assistance of BOR personnel during the audit. If you have any questions, please contact me at (202) 208-5512.

Attachments (2)



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Independent Auditors' Report

Commissioner of the United States Bureau of Reclamation and Inspector General
U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of the United States Bureau of Reclamation (Reclamation) as of September 30, 2003 and 2002, and the related consolidated statements of net costs, consolidated statements of changes in net position, combined statements of budgetary resources, and consolidated statements of financing, 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 audits, we also considered Reclamation's internal control over financial reporting and tested the Reclamation's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

SUMMARY

As stated in our opinion on the financial statements, we concluded that Reclamation's financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control over financial reporting identified the following reportable conditions:

Reportable Condition That Is Considered to be a Material Weakness

A. Controls over land inventory

Other Reportable Conditions

- B. Application and general controls over financial management systems;
- C. Controls over construction-in-progress and structures and facilities accounts;
- D. Controls over accrued liabilities;
- E. Controls over revenue recognition on prepayment of repayment contracts; and
- F. Controls over accounting for intradepartmental transactions.



KPMG, LLP, KPMG LLP, a limited liability partnership, is
a member of KPMG International, a Swiss association.

The results of our tests of compliance with laws and regulations, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The results of our tests of FFMIA disclosed instances where Reclamation's financial management systems did not substantially comply with Federal financial management systems requirements, and the Federal accounting standards.

G. Federal Financial Management Improvement Act of 1996 (FFMIA)

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

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the United States Bureau of Reclamation 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, and consolidated statements of financing for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reclamation as of September 30, 2003 and 2002, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management Discussion and Analysis, Required Supplementary Stewardship Information and Required Supplementary Information sections is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Reclamation's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

In our fiscal year 2003 audit, we noted the following matters involving internal control over financial reporting and its operation that we consider reportable conditions. We believe that the reportable condition A is a material weakness.

A. Controls over land inventory

Reclamation did not have a complete and accurate inventory system to support the \$1.9 billion of land and land rights reported in the financial statements as a component of general property, plant, and equipment. The weakness occurred because Reclamation had not established adequate procedures for maintaining an accurate inventory of land and land rights and for reconciling its subsidiary records with its financial accounting system. Reclamation's financial accounting system support for land and land rights costs is detailed in a cost summary report that had not been reconciled with subsidiary records, including individual project plat book maps, which contain data from individual land purchase contracts.

In response to the fiscal year 2000 consolidated financial statement audit finding, Reclamation recognized the need for supporting records and initiated a five-year action plan to develop a complete and accurate land inventory that supported the financial accounting system, issued guidelines and procedures for reconciling land records, and developed a schedule for completing the reconciliation within the five-year plan period. During fiscal year 2003, Reclamation has performed oversight reviews at each of the regional offices on the progress of the reconciliation project. As of September 30, 2003, Reclamation believes that it will complete the plan within the five-year plan period. Despite these efforts, we noted one land disposal that had been completed, but not recorded in Reclamation's financial accounting system. Additionally, we noted three land acquisitions, made on behalf of other entities that were recorded improperly on the Statement of Net Costs. Reclamation reviewed the account balances and transactions and made the necessary adjustments.

Recommendations

We recommend that the Commissioner, Bureau of Reclamation:

1. Continue to complete the reconciliation of the financial accounting system support for lands and land rights costs with the subsidiary records, including individual project plat book maps, which contain data from individual land purchase contracts.
2. Continue to include a material land inventory system internal control weakness in Reclamation's Federal Managers' Financial Integrity Act (FMFIA) report to the Department of the Interior until resolved.
3. Properly implement existing policies and procedures to ensure land additions and deletions are recorded properly in Reclamation's financial accounting system. This includes improved coordination between Reclamation's realty office and finance.

B. Application and general controls over financial management systems

Reclamation has made significant progress during the year by implementing and enhancing controls in several areas of information technology (IT) security and governance, including security programs, service continuity, application development, and logical access controls. However, certain IT security and controls over Reclamation's financial management systems have not been fully implemented, and controls need to be improved in the areas described below, as required by OMB Circular A-130, *Management of Federal Information Resources*. These conditions could affect Reclamation's ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive information, and protect its information resources.

Security Programs – Security programs, including security policies and a related implementation plan, support systems, and major applications are the foundation of an entity’s security control structure and a reflection of senior management’s commitment to addressing security risks. As outlined in OMB Circular A-130, an effective security program includes a risk assessment process, a certification process, and rules of behavior that define and guide the use of financial systems. For one of its financial support applications Reclamation has not updated and finalized the security plan.

Segregation of Duties – Proper segregation of duties should be governed by policies, procedures, and organizational structure to ensure that one individual cannot control multiple key aspects of financial transactions. Reclamation has not fully maintained appropriate segregation of duties in certain areas related to time-keeping functions.

Access Controls – Access controls should provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized modification, disclosure, loss, or impairment. The objectives of logical access are to ensure that: (1) only authorized users have access to data and systems; (2) users have the minimum access needed to perform their job functions; (3) access to very sensitive resources is limited appropriately; (4) employees are restricted from performing incompatible functions; (5) application security configuration settings are sufficient to provide reasonable assurance that access to applications through user log-on cannot be easily compromised; and (6) network security configurations are optimized to provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized modification, disclosure, loss, or impairment.

Certain procedural and technical access controls over Reclamation’s financial applications have not been implemented or are not operating effectively to minimize the risks of unauthorized internal access to the systems and data.

Software Development and Change Controls – Establishing controls over the modification of application software programs helps ensure that only authorized programs and modifications are implemented. Without proper change controls, there is an increased risk that either intentional or unintended changes are made to the system’s processing functionality, the wrong version of a program could be implemented, a virus could be inserted, or security features could be excluded or disabled. For one of its financial applications Reclamation has not documented standardized policies and procedures for controlling changes.

Recommendation

We recommend that the Commissioner, Bureau of Reclamation continue implementation of its formal action plan to improve the security and general controls over the financial management systems. This plan should address each of the areas discussed above.

C. Controls over construction-in-progress and structures and facilities accounts

Reclamation did not sufficiently implement internal controls to ensure that the general ledger control accounts for construction-in-progress (CIP) and structures and facilities were accurate. During our audit, we noted that the CIP account excluded certain costs that should have been capitalized, which resulted in an understatement of CIP, and included costs for projects that were determined to be complete, which resulted in an overstatement of CIP. These errors also impacted the structures and facilities accounts, which are also reported in the consolidated financial statements as part of general property, plant, and equipment, since CIP costs are transferred to structures and facilities upon

completion of a project. Further, Reclamation improperly included accumulated depreciation for projects that had been disposed of as an offset to the structures and facilities accounts.

In Reclamation's fiscal year 2000 audit, the Office of Inspector General (OIG) reported a material weakness and a reportable condition related to Reclamation's CIP account. Despite new policies and procedures established in response to the OIG finding, a reportable condition was reported in Reclamation's fiscal year 2001 and 2002 audit reports as Reclamation continued to include in the CIP account assets that should have been expensed as incurred, and costs and contributions from other entities as an offset to CIP, while excluding amounts that should have been capitalized as CIP. We also noted that the regions did not consistently utilize the forms for transfer from CIP to structures and facilities, as required by Reclamation policy.

During fiscal year 2003, Reclamation continued the implementation of its policies and procedures to identify substantially complete CIP projects for timely transfer to the structures and facilities accounts. However, there continues to be a weakness in communication and follow-up from the program organization to finance on the status of current projects. Program organization involvement is considered essential, as program personnel are the most knowledgeable on the status of current projects, including the nature of the work performed, and the timing of project completion. Additionally, we noted that the regions continue to not consistently utilize the forms, or other effective, consist documentation, for transfer from CIP to structures and facilities, as required by Reclamation policy. We found that of Reclamation's five regions, one region continued to include \$19.7 million in the CIP that was determined to be completed and should have been transferred to the structures and facilities accounts. Another region improperly expensed \$13.8 million in costs that should have been capitalized in CIP. Reclamation reviewed the account balances and transactions and made the necessary adjustments.

Recommendations

We recommend that the Commissioner, Bureau of Reclamation:

1. Implement policies and procedures requiring Reclamation's program managers to communicate information regarding project status to the finance community at or near each period end, and perform timely follow-up procedures to ensure that Reclamation's financial statements reflect the most current project status.
2. Implement and follow existing Reclamation policies and procedures, including regional quality control procedures, to ensure that the CIP and structures and facilities accounts only include costs for items meeting the definition of capitalizable general property, plant, and equipment, and accumulated depreciation is properly recorded on disposals.

Controls over accrued liabilities

Reclamation did not sufficiently implement internal controls to ensure that the general ledger control accounts for accrued liabilities were complete and accurate. In response to the prior year reportable condition on controls over accrued liabilities, Reclamation has taken many steps to ensure that accrued liabilities are complete and accurate. Reclamation developed procedures and provided them to the regional offices for reporting accruals, including definitions of roles and responsibilities for Reclamation personnel involved in the accrual process. Reclamation has conducted regional training and created tutorials on the nature of accruals and the accounting requirements necessary to account for them. Reclamation has also created a standard form to facilitate the reporting of the accruals by the regional offices. The form, if properly completed, facilitates documentation of the necessary information and support.

Although these steps are appropriate, they are not sufficient to ensure that the accruals are complete and accurate. Specifically, there continues to be a weakness in communication and follow-up from the program organization to finance on the status of current contracts. Program organization involvement is considered essential, as program personnel are the most knowledgeable on the status of current contracts, including the nature and timing of the work performed, and the amounts payable under the contracts. During our audit, we noted exceptions related to improper or incomplete accruals at each regional office. Issues that were identified included: (1) necessary accruals not made in the current fiscal year at the transactional level; and (2) policies and procedures had not been developed or tested to account for items not properly accrued for, or below the threshold of items reviewed, at the transactional level. These issues resulted in misstatements of \$51.4 million. Reclamation reviewed the account balances and transactions and made the necessary adjustments.

Recommendations

We recommend that the Commissioner, Bureau of Reclamation:

1. Implement policies and procedures requiring Reclamation's program personnel to communicate information regarding contract status to the finance community at or near each period end, and perform timely follow-up procedures to ensure that Reclamation's financial statements reflect the most current contract status at the transactional level.
2. Implement additional policies and procedures to ensure that accruals not made at the transactional level are complete and accurately recorded. These procedures should include testing of the accrual estimates, based on actual subsequent activity at each period end.
3. Continue to implement oversight procedures to ensure compliance with current Reclamation policies and procedures.

E. Controls over revenue recognition on prepayment of repayment contracts

Reclamation did not have sufficient internal controls to ensure that the general ledger control account for revenue was accurate. During our audit, we noted that Reclamation recorded revenue in fiscal year 2003 for \$18.4 million in prepayments of repayment contracts that should have been deferred and recognized as unearned. These errors are a result of insufficient policies and procedures specifically addressing prepayments of repayment contracts. Reclamation reviewed the account balances and transactions and made the necessary adjustments.

Recommendation

We recommend that the Commissioner, Bureau of Reclamation establish and implement sufficient policies and procedures, including regional quality control reviews and management oversight, to ensure that prepayments of repayment contracts are recorded as unearned revenue, and recognized as revenue as benefit incurs over the duration of the contract.

F. Controls over accounting for intradepartmental transactions

As part of its reporting process, Reclamation is required to reconcile intradepartmental transactions between other Department of the Interior bureaus (referred to as "trading partners"). Differences with trading partners indicate misstatements in financial reporting at both the bureau and department levels. Differences between trading partners are currently identified through a manual process, which includes entering transaction data into the Department of the Interior's financial reporting system (Hyperion). This information is accessible by all Department of the Interior bureaus.

During Reclamation's fiscal year 2002 consolidated financial statement audit, we issued a reportable condition on intradepartmental transactions, noting that although the information is entered into Hyperion throughout the year, differences are not reconciled and resolved in a timely manner, with the majority of reconciliations occurring at year-end and requiring a significant amount of accounting staff resources. As timelines for financial reporting continue to be expedited, manual processes, and lack of accurate and timely trading partner data may impact Reclamation's ability to prepare reliable consolidated financial statements in a timely manner.

In response to the 2002 audit finding, Reclamation has devoted additional resources in fiscal year 2003 to identify and correct out of balance intradepartmental transactions, and it has improved its processes to standardize the data provided to other bureaus, provide detail more frequently, and request more information as needed from other bureaus. Although these steps are appropriate, and represent significant progress for Reclamation, the process continues to be informal, manual, and dependent on the cooperation of other agencies.

Recommendations

We recommend that the Commissioner, Bureau of Reclamation:

1. In conjunction with the Department and other Department of the Interior bureaus, automate the process to reconcile and correct differences in trading partner transactions. The process should be governed by formal policies and procedures.
2. Until formal and automated processes are implemented, continue to work with the Department and other Department of the Interior bureaus to improve the manual process and reconcile and adjust for differences. The reconciliation process should be completed at least quarterly and include procedures to resolve and adjust for differences in a timely manner.

A summary of the status of prior year reportable conditions is included as Exhibit I. We also noted other matters involving internal control over financial reporting and its operation that we have reported to the management of Reclamation in a separate letter dated November 3, 2003.

COMPLIANCE WITH LAWS AND REGULATIONS

The results of our tests of compliance with laws and regulations, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the *Comptroller General of the United States*, or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

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

G. Federal Financial Management Improvement Act of 1996 (FFMIA)

Federal Financial Management Systems Requirements

Reclamation is not in compliance with OMB Circular A-130, *Management of Federal Information Resources*. As discussed in reportable condition B above, we noted weaknesses in Reclamation's computer security controls, including segregation of duties, access controls, and network security.

Recommendations

1. Our recommendations are addressed in the reportable condition discussed in the Internal Control over Financial Reporting section of our report.

Federal Accounting Standards

Reclamation is required to prepare its consolidated financial statements in accordance with federal accounting standards. As discussed in reportable condition A above, we identified a material weakness that affected Reclamation's ability to prepare its consolidated financial statements and related disclosures in accordance with federal accounting standards. Specifically, we determined that Reclamation needs improved controls over its land inventory.

Recommendations

2. Our recommendations are addressed in the reportable condition discussed in the Internal Control over Financial Reporting section of our report.

RESPONSIBILITIES

Management's Responsibilities

The *Government Management Reform Act of 1994* (GMRA) requires each federal agency to report annually to Congress on its financial status and any other information needed to fairly present its financial position and results of operations. To assist the Department of the Interior in meeting the GMRA reporting requirements, Reclamation prepares annual financial statements.

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Establishing and maintaining internal controls over financial reporting, and preparation of the Management Discussion and Analysis (including the performance measures), required supplementary information, and required supplementary stewardship information; and
- Complying with laws and regulations, including FFMIA.

In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements, due to error or fraud may nevertheless occur and not be detected.

Auditors' Responsibilities

Our responsibility is to express an opinion on the fiscal year 2003 and 2002 financial statements of Reclamation 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*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 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:

- 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 2003 audit, we considered Reclamation's internal control over financial reporting by obtaining an understanding of Reclamation's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, we considered Reclamation's internal control over required supplementary stewardship information by obtaining an understanding of Reclamation's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. Our procedures were not designed to provide assurance on internal control over required supplementary stewardship information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 01-02, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether Reclamation's fiscal year 2003 financial statements are free of material misstatement, we performed tests of Reclamation's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to Reclamation. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 01-02 and FFMIA, we are required to report whether Reclamation's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

DISTRIBUTION

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

November 3, 2003

**Bureau of Reclamation
Summary of the Status of Prior Year Findings
September 30, 2003**

Ref	Condition	Status
A	Reclamation needs improved controls over its land inventory	This condition has not been corrected and is repeated in fiscal year 2003. See finding A.
B	Reclamation needs improved security and internal control over its information technology systems	Although improvement has been made in several areas, this condition has not been corrected and is repeated in fiscal year 2003. See finding B.
C	Reclamation needs improved controls over its construction-in-progress and structures and facilities accounts	This condition has not been corrected and is repeated in fiscal year 2003. See finding C.
D	Reclamation needs improved controls over its accrued liabilities	This condition has not been corrected and is repeated in fiscal year 2003. See finding D.
E	Reclamation needs improved controls over its revenue cut-off	This condition has been corrected.
F	Reclamation needs an improved quality control program	This condition has been corrected.
G	Reclamation needs improved controls over its accounting for intradepartmental transactions	Although improvement has been made in several areas, this condition has not been corrected and is repeated in fiscal year 2003. See finding F.