



# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240



NOV 20 2006

## Memorandum

To: Assistant Secretaries  
Bureau and Office Directors  
Chief Financial Officers

From: Daniel L. Fletcher, Director  
Office of Financial Management (PFM)

Subject: Guidelines for FY 2007 Internal Control and Audit Follow-up (ICAF) Program

This memorandum contains the Department of the Interior's (Department) guidance for the FY 2007 ICAF Program, including the activities and timeframes necessary to comply with the Federal Financial Managers Improvement Act (FFMIA), Federal Managers' Financial Integrity Act (FMFIA); Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Controls* and Appendix A, *Internal Control over Financial Reporting*; OMB Circular A-127, *Financial Systems*; OMB Circular A-50, *Audit Follow-up*; and the timeframe for completing the Department's FY 2007 Performance and Accountability Report (PAR).

During FY 2007, the ICAF Program will focus on whether bureaus and offices are:

- Operating efficiently and effectively;
- Managing and protecting resources;
- Complying with laws and regulations;
- Using reliable program and financial information for day-to-day decisionmaking; and
- Achieving stated program performance goals.

**The expanded requirements of OMB A-123 affect all bureau programs and operations. The FY 2007 ICAF program requires bureaus and offices to:**

- **Develop and maintain an assessable component inventory;**
- **Conduct risk assessments on all components on the inventory; and**
- **Submit to PFM a three-year, risk-based internal control review plan to be updated annually.**

The control reviews and three-year plan should clearly explain how they support the Secretary's Strategic Plan goals. Bureaus and offices are encouraged to schedule internal control activities throughout the year with staggered completion dates to optimize resource use and allow time to discuss and use data. Significant elements of the FY 2007 program and a Schedule of Key Actions with required deadlines are given in Attachment 1. The Department's firm date for completing the Performance and Accountability report is November 15. All internal due dates are set to enable the Department to meet that date.

Bureau senior management leadership is to direct the planning, reviewing, and reporting for internal control over all programs and operations including financial reporting. Senior leadership should coordinate among the various offices involved including programs, finance, budget, acquisition, and information technology to successfully meet the requirements for maintaining, testing, and reporting on internal controls.

### **ICAF Organizational Structure**

The Department's OMB A-123 Senior Management Council function will be performed by the Management Control and Audit Follow-up Council, chaired by the Assistant Secretary - Policy, Management and Budget, and comprised of all program assistant secretaries, the Solicitor, the Deputy Assistant Secretary for Business Management and Wildland Fire, the Chief Information Officer, the Senior Procurement Executive, and the Inspector General (ex officio).

The duties of the Senior Assessment Team as defined in Circular A-123 are assigned to the DOI Management Initiatives Team which is chaired by the Assistant Secretary - Policy, Management and Budget and comprised primarily of Deputy Assistant Secretaries and bureau Deputy Directors.

The Executive Steering Committee Work Group meets regularly to discuss the status of the assessment of internal controls over financial reporting and related issues.

### **Timely Completion of Audit Recommendations**

Managers should put more emphasis on the timely completion of all audit recommendations. This monitoring helps to ensure that the Department and its executives meet the Departmental performance goal for the ICAF Program and other OMB requirements. The Department's goal for completing corrective actions is: Percent of OIG and GAO audit recommendations that are implemented on schedule. The FY 2007 target is 85 percent.

Monthly progress reports will be required for:

- Material weaknesses, including Appendix A financial reporting material weaknesses,
- Non-compliances, and
- Status of Appendix A key action items.

Quarterly progress reports must include all monthly reporting items plus:

- All other OIG financial statement or programmatic audit recommendations;
- GAO audit recommendations;
- Management letter comment/recommendations; and
- Any other reportable conditions/significant deficiencies.

**PFM will notify bureaus of what is included in their Departmental goal base by December 9, 2006.** As the financial statement audit and management letter recommendations are referred to PFM, they will be added to the goal base and bureaus will be notified. Bureaus will also be notified when OIG and GAO program audits are referred to PFM for tracking.

### **FY 2007 ICAF Handbook**

The Department's Internal Control and Audit Follow-up Handbook is being revised to reflect input from the Department's program and finance community and lessons learned from the FY 2006 OMB A-123, Appendix A implementation. The updated Handbook will also provide standard templates, workpapers, and forms for documentation of all processes, testing, and conclusions. **Bureaus are directed to use the templates to expedite the review and allow comparability of findings across the Department.**

### **FY 2007 Internal Control Review Priorities**

Developing a comprehensive assessment plan to evaluate internal controls over programs, operations, and financial reporting is essential for effective implementation of the revised OMB Circular A-123 and Appendix A. Internal controls are designed to provide reasonable assurance of effective and efficient operations, financial reporting, and compliance with applicable laws and regulations.

### **FY 2007 Priorities Plan**

Review plans should be based on assessed risk levels, management priorities, and available resources. In developing FY 2007 internal control review plans, bureaus and offices should not rely on planned OIG and GAO program audits to account for more than 50 percent of the total planned internal control reviews.

Planned reviews should provide sufficient coverage to support the FY 2007 Annual Assurance Statements. If bureaus need to defer, delay, or cancel any reviews from the priorities plan, they must justify **in writing** to PFM the reason for these changes and explain how these changes do not weaken support for the assurance statements. Requests must be submitted to PFM as soon as the need is identified; PFM will provide its decision in writing within two weeks.

The Department uses an integrated approach to comply with OMB A-123 by leveraging all program and assessment activities that include the required internal control review methodology. Such activities may include: reviews conducted during the same fiscal year using the Program Assessment Rating Tool (PART); competitive sourcing analyses which define the "Most Efficient Organization;" reviews under the Improper Payments Improvement Act; and reviews of human resources programs and information technology (IT) systems. The plan must include reviews in accordance with guidance from the Office of Acquisition and Property Management and the Office of the Chief Information Officer. Finally, bureaus and offices receiving services from other organizations must obtain and review a copy of relevant documentation (e.g., SAS-70) from their service provider.

Bureaus should electronically transmit the FY 2007 Priorities Plan to PFM for review and concurrence by **December 15, 2006**. These plans should specifically identify:

- Programs, organizations, or functions to be reviewed;
- Brief explanation of the review;
- Method of the review;
- Key milestones including review completion date;
- Responsible official for each review; and

- **OIG/GAO final** program audit reports that will be used as alternative internal control reviews.

PFM will review the bureau priorities and provide written concurrence or other feedback on bureau FY 2007 internal control review priorities within 5 days of receipt of the bureau plans. The final FY 2007 internal control review plans for the Department will be published on or before **December 27, 2006**.

Reports from the internal control reviews must be sent electronically to PFM; however, documentation to support the review should be maintained in the bureau. Documentation must comply with current OMB, GAO, and Department standards and should be accessible so that PFM and the OIG can perform compliance reviews. PFM will review a sample of the internal control reviews and assess bureau progress in implementing selected corrective actions during the year.

### **Three-Year Internal Control Review Plan**

Bureaus and offices must develop their list of assessable components, determine their control environment, and perform risk assessments over all components to develop their internal control review plans for FY 2007-2009. Using a risk-based approach requires that all key controls be tested every three years. IT controls must be tested annually. Bureaus and offices must use the template at Attachment 2 to provide their three-year, risk-based review plans to PFM by **January 30, 2007**. If bureaus and offices need to change their FY 2007 priorities plan based on results of the risk assessments, they should notify PFM immediately in writing.

### **Financial Reporting Reviews**

The Department will build upon the significant accomplishments made during the FY 2006 implementation of the requirements for OMB A-123, Appendix A, "Internal Control Over Financial Reporting." In FY 2007, bureaus are required to conduct an assessment of the effectiveness of internal control over financial reporting to ensure safeguarding of assets and compliance with applicable laws and regulations. Bureau-level assessments will focus on the specific financial reports and the related financial statement line items identified by the Department as material to the Department's consolidated financial reports. Bureaus are required to align their processes with the Department, including plans, evaluations, monitoring, reporting deficiencies related to internal controls for financial reporting, and issuing an assurance statement including evaluation results. Bureaus must also provide results of qualitative analysis that require additional areas to be tested.

Bureaus must document the testing of internal controls and maintain test results in files for review by PFM and the OIG. Bureaus must notify PFM of material internal control weaknesses over financial reporting using the Department's template for the Issue Log. Corrective Action Plans for any material internal control weaknesses must be developed and submitted to PFM for tracking purposes.

### **Departmental Functional Reviews (DFR's)**

To comply with statutory requirements and OMB directives, the Department's Offices of

Acquisition and Property Management and the Chief Information Officer will prescribe selected DFR's for information technology systems, property, financial assistance (i.e., grants and cooperative agreements), acquisition management, and other functional areas deemed necessary. Guidance for conducting and reporting the results of these reviews is forthcoming.

### **Monthly Status Reports for Material Weakness and Non-compliance Issues**

Corrective Action Plans for material weaknesses and non-compliances are due to PFM by **December 8, 2006**. Corrective Action Plans must contain monthly milestones that are reported to PFM with a completion date no later than June 30, 2007, unless an extension is requested and approved by PFM. The Corrective Action Plan template (Attachment 3) must be used for reporting purposes.

Beginning in **December 2006**, on the last working day of each month, bureaus must submit to the Director, PFM via e-mail or facsimile, an abbreviated status report of their Corrective Action Plans indicating which monthly milestones are completed. If milestones are delayed, a concise statement must be provided for the reasons with planned actions to complete the milestone during the subsequent quarter. PFM will summarize this information in scorecard format and provide an advance copy for comment to bureaus and offices within the first week of the following month. Bureaus and offices will have one day to offer any comments. At the close of business on the first week of the following month, PFM will forward the scorecard to the Assistant Secretary – Policy, Management and Budget.

### **Quarterly Status Reports on All Audit Recommendations and Issues Reported on the Issue Log**

Bureaus and offices must provide to PFM, within 15 days after the end of a quarter, a status report on all OIG and GAO audit recommendations, external audits (single audits and grants), financial statement reportable conditions, significant deficiencies, management letter recommendations, and issues reported on the issues log. The first report is due **December 31, 2006**. (Templates for reporting GAO and external audits are Attachments 4 and 5.)

Based on progress information provided by bureaus in their monthly and quarterly reports, PFM will prepare a quarterly summary scorecard to the Assistant Secretary – Policy, Management and Budget within 30 days after each quarter. Copies will be provided in advance to bureaus and offices for comment.

### **Corrective Action Completion**

Bureaus and offices must submit to PFM corrective action closure requests with appropriate supporting documentation (in electronic format if possible). PFM will review and issue a closure memorandum to the OIG, if deemed appropriate. The corrective action completion request must identify the report finding, recommendation number, actions taken and rationale for closing. **Closure requests must be submitted as corrective actions are completed, not only at the end of the quarter.**

### **Mid-year Progress Meeting**

Bureaus and offices are required to participate in mid-year progress meetings with PMB and OIG

staff in May 2007. The purpose of the meetings is to review program performance and discuss/resolve material weakness, non-compliance, internal and external audit corrective action issues, and any other issues. Additional progress meetings may be scheduled as necessary by PFM.

### **FY 2007 Annual Assurance Statements**

The Department uses an integrated organizational structure to implement its internal control program. To ensure support for the Secretary's annual assurance statement, the chain of accountability begins with program managers, ascends to bureau and office directors, to program assistant secretaries, and ultimately to the Secretary. Bureau and office directors should provide assurance statements to their assistant secretaries. **Beginning in FY 2007, bureaus and offices are required to obtain assurances from SES manager's one level below the Deputy Director. Bureau and office Chief Information Officers must submit a separate assurance statement to their director and provide a copy to PFM and the OCIO.**

Bureaus and offices are required to prepare two assurance statements in FY 2007:

- The assurance statement on internal controls over financial reporting as of June 30, 2007, **due July 31, 2007**, to the Assistant Secretary – Policy, Management and Budget, Attention: Director, Office of Financial Management; and
- The overall assurance statement covering internal controls over all programs and operations, including finance, **due September 30, 2007**.

Bureau and office directors are required to submit their annual assurance statements through their assistant secretaries, and should ensure adequate time for assistant secretary review and approval so that the signed statement can be delivered on or before the due date. Templates that must be used for the mid-year and annual assurance statements are attached (Attachments 6-9).

Assurance must be consistent with and include any FFMIA non-compliance issues identified to date by financial statement audits for bureaus and offices. Bureaus and offices are required to provide assurance as to substantial compliance with FFMIA and to identify any non-compliance in the three components of the FFMIA financial system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. A statement must be included regarding the bureau or office's general compliance with the Federal Information Security Management Act (FISMA) requirements, and Appendix III of OMB Circular A-130, *Management of Federal Information Resources*.

### **Year-end Issue Resolution Meetings**

Bureaus will be required to participate in year-end issue resolution meetings with PMB and OIG staff in early **October 2007**. The purpose of the meetings is to review the final status of bureau and office Departmental goal for audit recommendation corrections and to discuss/resolve any issues that are pending.

### **Internal Control Handbook**

Bureaus should refer to the Internal Control Handbook which supplements this guidance and will govern the FY 2007 internal control program. It will be available on the intranet by January 15,

2007 at <http://www.myinterior.doi.net/finance.html>. A separate notice will be sent when the updated Handbook is available.

We look forward to your cooperation and assistance as we fulfill the Department's Internal Control and Audit Follow-up Program responsibilities during FY 2007. If you have questions or want to discuss the requirements set forth in this memorandum, please contact Barbara Desiderio at (202) 208-4377.

Attachments:

1. Schedule of Key Actions
2. Three-Year, Risk-Based Internal Control Review Plan Template
3. Corrective Action Plan Template
4. GAO Template
5. External Audit Template
- 6-7. June 30 Assurance Statement Templates
- 8-9. September 30 Assurance Statement Templates

cc: Anne Richards, Assistant Inspector General for Audits  
Department Internal Control Coordinators (ICCs)  
Department Audit Liaison Officers (ALOs)  
OCIO  
PAM

PFM:BDesiderio:cag:11/20/06: O:/common/Final-cag/2007ICAFguidance-111606

**ATTACHMENT 1****Schedule of Key Actions  
FY 2007 Internal Control and Audit Follow-up Program**

<b>Action</b>	<b>Responsible Organization</b>	<b>Due Date</b>
1. Issue Internal Control Program Guidance	PFM	11/20/06
2. OMB A-123, Appendix A, Test Plan	PFM	When due
3. Advise bureaus and offices of FMFIA material weaknesses and OIG and GAO audit recommendations in Departmental Performance Goal Base.	PFM	12/9/06
4. Issue guidance on Departmental Functional Reviews (Property, Acquisition, Information Technology, etc.)	Various PMB Offices	TBD
5. Submit FY 2007 Priorities Plan	Bureaus/Offices	12/15/06
6. Concurs or provides guidance on bureau plans	PFM	12/20/06
7. Finalize and publish the Department's internal control review priorities.	PFM	12/27/06
8. Bureaus and offices provide CAP's to PFM for audited financial statement and FMFIA material weakness and non-compliance issues. Update Appendix A Issues Log on significant deficiencies and reportable conditions.	Bureaus/Offices	12/8/06
9. Report component, risk assessments, and internal control review priorities to PFM (all inclusive).	Bureaus/Offices	1/30/07



<b>Action</b>	<b>Responsible Organization</b>	<b>Due Date</b>
9. Monthly Status Reports on FY 2006 audited financial statement and FMFIA material weakness and non-compliance issues and Appendix A Status of Key Milestones (Posted to A-123@ios.doi.gov.)	Bureaus/Offices	End of Month
10. Monthly Status Report to A/S-PMB on FY 2006 audited financial statement, FMFIA, and A-123 material weakness and non-compliance issue corrective actions.	PFM	1 <sup>st</sup> Week of the Month
11. Quarterly Status Report to PFM on OIG and GAO audit recommendations, external audits (single audits and grants), and CAP performance metrics	Bureaus/Offices	01/15/07 04/16/07 07/16/07 09/30/07
12. Quarterly Status Report on OIG and GAO recommendations to A/S-PMB.	PFM	01/31/07 04/30/07 07/31/07 10/15/07
13. Conduct mid-year ICAF progress meeting with bureaus, OIG, ESC Work Group members, and PMB staff.	Bureaus/Offices, OCIO, PAM, PFM, OIG	5/7-11/07
14. Complete all current fiscal year Financial and required IT financial system reviews.	Bureaus/Offices, OCIO, PAM, PFM, OIG	07/13/07
15. OMB Circular A-123 Appendix A, assurance statement on financial reporting as of June 30, 2007.	Bureaus/Offices PFM	07/31/07

<b>Action</b>	<b>Responsible Organization</b>	<b>Due Date</b>
17. CIO consolidated mid-year assurance statement to PFM.	OCIO	08/15/07
18. Complete all current fiscal year Financial, internal control reviews, and Departmental functional reviews.	Bureaus/Offices, OCIO, PAM, PFM, OIG	08/31/07
19. Bureau IT assurance statements to OCIO and PFM	Bureaus/offices	9/15/07
20. Submit current year assurance statement to AS/PMB and PFM, including update to “as of June 30” statement	Bureaus/Offices, OCIO, PAM, PFM, OIG	09/30/07
21. OCIO consolidated annual assurance statement due to PFM	OCIO	09/30/07
22. Conduct year-end ICAF issue resolution meetings.	Bureaus/Offices, OCIO, PAM, PFM, OIG, ESC Work Group	10/9-17/07



Corrective Action Plan for All Weaknesses and Non-compliances  
Identified in FY 2006  
as of XXX

**Bureau:**

**Title of Material Weakness or Noncompliance Issue (check one):**

**Material Weakness**

**Noncompliance Issue**

FMFIA \_\_\_\_\_

Financial Statement \_\_\_\_\_

Financial Statement \_\_\_\_\_

Appendix A \_\_\_\_\_

**Carryover Issue or New in FY 2006:**

**Description of Material Weakness or Noncompliance Issue:**

**Planned Correction Date Reported in FY 2006 PAR:**

**Current Planned Correction Date:**

**Program/Organizational Component Where Weakness or Issue Resides:**

**Accountable Officials:**

- Headquarters:
- Field-level:

**Funding Committed for Corrective Actions:** \$ \_\_\_\_\_

**Appropriation Account:** \_\_\_\_\_ **ABC Codes:** \_\_\_\_\_

**Metrics:** (Provide the metrics which will be used to measure progress, and those used to determine that the actions taken corrected the weakness.)

**Detailed Actions:**

**Summary of Corrective Action Plan:**

**Corrective Action and Milestones:**

**Status of Pending Office of Inspector General or  
Government Accountability Audits  
Quarter Ending**

**Bureau or Office:**

**Audit Title:**

**Audit Number:**

**Report Date:**

**Initiator:**

**Audit Scope:**

**Primary Findings And Recommendations:**

**Open Recommendations:**

**Actions Needed to Close Audit:**

**Original Target Date:**

**Current Target Date:**

**Reasons for Delay:**

**Bureau Contact:**



*Statement of Assurance on Internal Control over Financial Reporting  
As of June 30, 200X  
(Unqualified)*

Memorandum

To: Assistant Secretary - Policy, Management and Budget  
Attention: Director, Office of Financial Management

Through: Assistant Secretary

From: Bureau/Office Head

Subject: FY 200X Annual Assurance Statement on Internal Control over Financial Reporting

In accordance with your delegation of responsibilities to me, I am responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with laws and regulations, and I have directed an evaluation of the internal control over financial reporting of [bureau/office] in effect as of June 30, 200X. This evaluation was conducted in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004, and the CFO Councils Implementation Guide dated July 31, 2005, as implemented by the Department. Our evaluation focused on the specific financial reports and the related financial statement line items identified by the Department as material to the consolidated Department of the Interior financial reports. These reports and related line items are listed in Appendix 1.

In evaluating internal control over financial reporting at [bureau/office], I directed my staff to:

- Evaluate the (bureau/office)'s control environment, risk assessment process, information and communication processes, and monitoring process;
- Identify the business processes that impact the assigned financial statement line items;
- Document the business process and sub processes;
- Identify the control activities and the key controls in each business process;
- Assess the design and effectiveness of the controls to determine whether they would prevent or detect errors or misstatements in the selected financial statement line items;

- Establish Corrective Action Plans for the internal controls identified as not effective; and
- Test the controls that are considered effectively designed and assess whether they are functioning as designed.

Based on the results of this evaluation, the [bureau/office] provides reasonable assurance that the internal controls over financial reporting for the financial reports and related line items listed in Appendix 1 were suitably designed and operating effectively as of June 30, 200X. No material weaknesses were found in the design or operation of the internal controls over financial reporting for these financial reports and related line items.

Attachments



*Statement of  
Assurance on Internal Control over Financial Reporting  
As of June 30, 200X  
(Qualified)*

Memorandum

To: Assistant Secretary - Policy, Management and Budget  
Attention: Director, Office of Financial Management

Through: Assistant Secretary

From: Bureau/Office Head

Subject: FY 200X Annual Assurance Statement on Internal Control over Financial Reporting

In accordance with your delegation of responsibilities to me, I am responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with laws and regulations, and I have directed an evaluation of the internal control over financial reporting of [bureau/office] in effect during the year ended June 30, 200X. This evaluation was conducted in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004, and the CFO Councils Implementation Guide dated July 31, 2005, as implemented by the Department. Our evaluation focused on the financial reports and the related specific financial statement line items identified by the Department as material to the consolidated Department of the Interior financial reports. These reports and related line items are listed in Appendix 1.

In evaluating internal control over financial reporting at [bureau/office], I directed my staff to:

- Evaluate the (bureau/office)'s control environment, risk assessment process, information and communication processes, and monitoring process;
- Identify the business processes that impact the assigned financial statement line items;
- Document the business process and sub processes;
- Identify the control activities and the key controls in each business process;

- Assess the design and effectiveness of the controls to determine whether they would prevent or detect errors or misstatements in the selected financial statement line items;
- Establish Corrective Action Plans for the internal controls identified as not effective; and
- Test the controls that are considered effectively designed and assess whether they are functioning as designed.

Based on the results of this evaluation, the [bureau/office] identified (number) material weakness(es) in its internal control over financial reporting for the financial reports and related line items listed in Appendix 1 as of June 30, 200X. The material weakness(es) that was (were) found in the design or operation of the internal controls over financial reporting are listed in Appendix 2. Other than the exceptions noted in Appendix 2, the internal controls were properly designed and operating effectively and no other material weaknesses were found in the design or operation of the internal control over financial reporting for the line items listed in Appendix 1.

Attachments

**ATTACHMENT 8**  
**Statement of Assurance**  
**as of September 30, 2006**  
(Unqualified)

Memorandum

To: Assistant Secretary - Policy, Management and Budget  
Attention: Director, Office of Financial Management

Through: Assistant Secretary

From: Bureau/Office Head

Subject: FY 2006 Annual Assurance Statement on Internal Control

The [bureau/office] management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The [bureau/office] conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004. The objectives of this assessment are to ensure that:

- Programs achieve their intended results;
- Resources are used consistent with agency mission;
- Resources are protected from waste, fraud, and mismanagement;
- Laws and regulations are followed; and
- Reliable and timely information is maintained, reported, and used for decision-making.

In performing this assessment, the [bureau/office] relied on the knowledge and experience management has gained from the daily operation of its programs and systems of accounting and administrative controls, and information obtained from sources such as internal control assessments, OIG and GAO audits, program evaluations and studies, audits of financial statements, and performance plans and reports. The following specific internal control assessments conducted by the bureau, and audits and/or reviews conducted by the OIG and/or GAO were relied upon to support the conclusions expressed herein.

## Results

### Assessment /Audit

(List or attach list)

### Date Completed (Material Weakness or Best Practice)

Based on the results of the evaluation, the [bureau/office] can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, to include FMFIA, as of September 30, 2006 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the [bureau/office] conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123 and the CFO Councils Implementation Guide dated July 31, 2005, as implemented by the Department. The assessment focused on the specific financial reports and the related financial statement line items identified by the Department as material to the consolidated Department of the Interior financial reports. These reports and related line items are listed in Appendix 1. Based on the results of this assessment, the [bureau/office] can provide reasonable assurance that its internal control over the financial reports and related line items listed in Appendix 1 were suitably designed and operating effectively as of June 30, 2006, and no material weaknesses were found in the design or operation of the internal control over financial reporting. Further, subsequent testing through September 30, 2006 did not identify any reportable changes in key financial reporting internal controls.

The corrective action reports for material weaknesses and/or accounting system non-conformances identified in the FY 2006 assessment, or carried over from the prior fiscal year, are attached. These reports identify the nature of the weakness or non-conformance, its cause and effect, appropriate interim milestones in the corrective action plan, progress to date, metrics used to measure progress and insure correction, the funds set aside to correct the weakness, and the individuals, including field officials, accountable for the timely completion of stated corrective actions. (If any material weakness corrective action plan targeted for completion in FY 2006 was not completed as planned, please report the reasons for the slippage and a summary of what actions remain.) The existence of these material weaknesses or accounting system non-conformances does/does not prevent the [bureau/office] from providing reasonable assurance on the effectiveness of its internal control taken as a whole.

I also conclude that the [bureau/office's] information technology systems generally comply/do

not generally comply with the requirements of the Federal Information Security Management Act (FISMA), and Appendix III of OMB Circular A-130, *Management of Federal Information Resources*.

Further, I conclude that the [bureau/office] substantially complies/does not substantially comply with the three components of the Federal Financial Management Improvement Act (FFMIA): Financial system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level.

Attachments

**ATTACHMENT 9**  
***Statement of Assurance***  
***as of September 30, 2006***  
(Qualified)

Memorandum

To: Assistant Secretary - Policy, Management and Budget  
Attention: Director, Office of Financial Management

Through: Assistant Secretary

From: Bureau/Office Director

Subject: FY 2006 Annual Assurance Statement on Internal Control

The [bureau/office] management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The [bureau/office] is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of [number] material weakness(es) and [number] non-conformance(s). The details of the exception(s) are provided in Exhibit [xx].

The [bureau/office] conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004. The objectives of this assessment are to ensure that:

- Programs achieve their intended results;
- Resources are used consistent with agency mission;
- Resources are protected from waste, fraud, and mismanagement;
- Laws and regulations are followed; and
- Reliable and timely information is maintained, reported, and used for decision-making.

In performing this assessment, the [bureau/office] relied on the knowledge and experience management has gained from the daily operation of its programs and systems of accounting and administrative controls, and information obtained from sources such as internal control

assessments, OIG and GAO audits, program evaluations and studies, audits of financial statements, and performance plans and reports. The following specific internal control assessments conducted by the bureau, and audits and/or reviews conducted by the OIG and/or GAO were relied upon to support the conclusions expressed herein.

<u>Assessment /Audit</u> (List or attach list)	<u>Date Completed</u> ( <u>Material Weakness or Best Practice</u> )	<b>Results</b>
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Based on the results of the evaluation, the [bureau/office] identified [number] material weakness(es) in its control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, to include FMFIA, as of September 30, 2006. Other than the exceptions noted in Exhibit [xx], the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls.

In addition, the [bureau/office] conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123 and the CFO Councils Implementation Guide dated July 31, 2005, as implemented by the Department. The assessment focused on the specific financial reports and the related financial statement line items identified by the Department as material to the consolidated Department of the Interior financial reports. These reports and related line items are listed in Appendix 1. Based on the results of this assessment, the [bureau/office] provided reasonable assurance that its internal control over for the financial reports and related line items listed in Appendix 1 were suitably designed and operating effectively as of June 30, 2006, and no material weaknesses were found in the design or operation of the internal control over financial reporting. However, subsequent testing through September 30, 2006 identified a material weakness (es) in the internal controls over \_\_\_\_\_ as noted in Exhibit XX. As a result, the bureau is only able to provide a qualified statement of assurance for its internal control over financial reporting.

The corrective action reports for material weaknesses and/or accounting system non-conformances identified in the FY 2006 assessment, or carried over from the prior fiscal year, are attached. These reports identify the nature of the weakness or non-conformance, its cause and effect, appropriate interim milestones in the corrective action plan, progress to date, metrics used to measure progress and insure correction, the funds set aside to correct the weakness, and the individuals, including field officials, accountable for the timely completion of stated corrective actions. (If any material weakness corrective action plan targeted for completion in

FY 2005 was not completed as planned, please report the reasons for the slippage and a summary of what actions remain.) The existence of these material weaknesses or accounting system non-conformances does/does not prevent the [bureau/office] from providing reasonable assurance on the effectiveness of its internal control taken as a whole.

I also conclude that the [bureau/office's] information technology systems generally comply/do not generally comply with the requirements of the Federal Information Security Management Act (FISMA, and Appendix III of OMB Circular A-130, *Management of Federal Information Resources*.

Further, I conclude that the [bureau/office] substantially complies/does not substantially comply with the three components of the Federal Financial Management Improvement Act (FFMIA): Financial system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level.

Attachments