

FEDERAL BUREAU OF INVESTIGATION ANNUAL FINANCIAL STATEMENT FISCAL YEAR 2007

OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statement of the Federal Bureau of Investigation (FBI) for the fiscal years (FY) ended September 30, 2007, and September 30, 2006. Under the direction of the Office of the Inspector General (OIG), KPMG LLP (KPMG) performed the FBI audit. The audit resulted in an unqualified opinion on the FY 2007 financial statements. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations. For FY 2006, the FBI also received an unqualified opinion on its financial statements (OIG Report No. 07-09).

The Independent Auditors' Report on Internal Control identified one material weakness. The material weakness, "Improvements Are Needed in the Information System Controls Environment," has been a long standing issue that was first reported as a material weakness in FY 1998. However, the FBI implemented corrective actions to address the identified weakness prior to the end of the FY. Therefore, a recommendation is not provided and no further action is required.

In its Report on Compliance and Other Matters, the auditors concluded that the FBI's financial management systems did not substantially comply with federal financial management system requirements and use of the United States Standard General Ledger at the transaction level as required by the Federal Financial Management Improvement Act of 1996 (FFMIA). As a result, the units involved in preparing the financial statements and other financial reports have been required to maintain numerous manual and automated processes in order to compensate for the controls and reporting abilities that are lacking in the FBI's financial management systems. This noncompliance with FFMIA has been reported since FY 1997.

The OIG reviewed KPMG's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the FBI's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the FBI's financial management systems substantially complied with FFMIA, or conclusions on

compliance with laws and regulations. KPMG is responsible for the attached auditors' reports dated October 26, 2007, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.