



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

INDEPENDENT AUDITORS' REPORT ON THE U.S. DEPARTMENT OF THE INTERIOR CLOSING PACKAGE FINANCIAL STATEMENTS FOR FISCAL YEAR 2017



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

Memorandum

NOV 15 2017

To: Secretary Zinke

From: Mary L. Kendall
Deputy Inspector General

Subject: Independent Auditors' Report on the U.S. Department of the Interior Closing
Package Financial Statements for Fiscal Year 2017
Report No. 2017-FIN-026-A

This memorandum transmits the KPMG LLP (KPMG) auditors' report of the U.S. Department of the Interior's (DOI) closing package financial statements for fiscal year (FY) 2017. Office of Management and Budget (OMB) Bulletin No. 17-03, "Audit Requirements for Federal Financial Statements," requires the DOI Inspector General, or an independent auditor as determined by the Inspector General, to audit DOI's closing package financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General, KPMG, an independent public accounting firm, performed an audit of DOI's FY 2017 closing package financial statements. The contract required the audit to be performed in accordance with the Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States, and OMB Bulletin No. 17-03.

Results of Independent Audit

KPMG issued an unmodified opinion on the closing package financial statements and identified no material weaknesses or significant deficiencies in internal controls over financial reporting for the closing package financial statements.

KPMG is responsible for the attached auditors' report and the conclusions expressed. We do not express an opinion on DOI's closing package financial statements, conclusions on the effectiveness of internal controls over the financial reporting process for the closing package financial statements, or conclusions on compliance with certain laws and regulations specific to the closing package financial statements. Our review of the report, however, disclosed no instances where KPMG did not comply, in all material respects, with GAGAS.

Report Distribution

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, evaluation, and inspection reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented. Therefore, we will include the information in the attached report in our next semiannual report.

We appreciate the courtesies and cooperation extended to KPMG and our staff during this audit. If you have any questions regarding the report, please contact me at 202-208-5745.

Attachment



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Independent Auditors' Report

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

Report on the Closing Package Financial Statements

We have audited the accompanying Closing Package Financial Statement Report of the U.S. Department of the Interior (the Department), which comprises the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet as of September 30, 2017, and the related GTAS Reconciliation Reports – Reclassified Statement of Net Cost and Reclassified Statement of Operations and Changes in Net Position for the year then ended, and the related notes to the financial statements (hereinafter referred to as the “closing package financial statements”). The notes to the financial statements comprise the following:

- GTAS Closing Package Lines Loaded Report,
- Financial Report (FR) Notes Report (except for the information entitled “2016 - September”, “Prior Year”, “PY”, “Previously Reported”, “Line Item Changes”, and “Threshold”, and the information as of and for the year ended September 30, 2016 in the “Text Data”), and
- Additional Note No. 30 (except for the information as of and for the year ended September 30, 2016).

Management's Responsibility for the Closing Package Financial Statements

Management is responsible for the preparation and fair presentation of these closing package financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the closing package financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these closing package financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the closing package financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the closing package financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the closing package financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the closing package financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting



estimates made by management, as well as evaluating the overall presentation of the closing package financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Closing Package Financial Statements

In our opinion, the closing package 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, 2017, and its net cost and changes in net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Additional Note No. 30 to the closing package financial statements, which describes that the accompanying closing package financial statements were prepared to comply with requirements of the U.S. Department of the Treasury's *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 (TFM Chapter 4700) for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office (GAO) to use in preparing and auditing the *Financial Report of the U.S. Government*, and are not intended to be a complete presentation of the consolidated balance sheet of the Department as of September 30, 2017, and the related consolidated statements of net cost, changes in net position, custodial activity, and combined statement of budgetary resources (hereinafter referred to as the "general-purpose financial statements") for the year then ended. The notes to the closing package financial statements are those that the U.S. Department of the Treasury deemed relevant to the *Financial Report of the U.S. Government*. Our opinion is not modified with respect to this matter.

Other Matters

Opinion on the General-Purpose Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with OMB Bulletin No. 17-03, the general-purpose financial statements of the U.S. Department of the Interior as of and for the years ended September 30, 2017 and 2016, and our report thereon, dated November 15, 2017, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information, except for such information entitled "2016 - September", "Prior Year", "PY", "Previously Reported", "Line Item Changes", and "Threshold", and the information as of and for the year ended September 30, 2016 in the "Other Text Data", included in Other Data Report Nos. 1 (Other Data Info Sections A and B only), 8, 9, 17, and 18 be presented to supplement the basic closing package financial statements.

Such information, although not a part of the basic closing package financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic closing package financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic closing package financial statements, and other knowledge we obtained during our audit of the basic closing package financial statements. Although our opinion on the basic closing package financial statements is not affected, Other Data Report Nos. 9, 17, and 18 contain material departures from the prescribed guidelines because the information included in these Other Data Reports presents the required information for the *Financial Report of the U.S. Government* and not the



required information for the Department's financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Combining Statement of Budgetary Resources and Management's Discussion and Analysis, the change in compliance assessments and pre-assessment work in process related to Custodial Activity, and the annual investment for each of the prior four years of nonfederal physical property, human capital, and research and development that U.S. generally accepted accounting principles require to be presented to supplement the basic closing package financial statements. Such missing information, although not a part of the basic closing package financial statements, is required by the FASAB who considers it to be an essential part of financial reporting for placing the basic closing package financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic closing package financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the closing package financial statements as a whole. The information other than that described in the first paragraph and the first paragraph of the subsection labeled *Required Supplementary Information* are presented for purposes of additional analysis in accordance with TFM Chapter 4700 and are not a required part of the closing package financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the closing package financial statements as of and for the year ended September 30, 2017, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use of the Report on the Closing Package Financial Statements

This report is intended solely for the information and use of the management of the Department, Department's Office of the Inspector General, U.S. Department of the Treasury, OMB, and GAO in connection with the preparation and audit of the *Financial Report of the U.S. Government* and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and OMB Bulletin No. 17-03, we have also issued a combined auditors' report dated November 15, 2017 which presents our opinion on the Department's general-purpose financial statements; our consideration of the Department's internal control over financial reporting; and the results of our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters that are required to be reported under *Government Auditing Standards*. That report should be read in conjunction with this report in considering the results of our audit of the closing package financial statements. Our audit of the general-purpose financial statements as of and for the year ended September 30, 2017 disclosed the following significant deficiencies:

Significant Deficiencies:

- A. Lack of Sufficient Controls over General Property, Plant, and Equipment
- B. Lack of Sufficient Controls over Accounts Payable
- C. Lack of Sufficient General Information Technology Controls

Internal Control Over Financial Reporting Specific to the Closing Package Financial Statements

In planning and performing our audit of the closing package financial statements, we also considered the Department's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the closing package financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.



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 a 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. 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.

Our consideration of internal control specific to the closing package financial statements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters Specific to the Closing Package Financial Statements

As part of obtaining reasonable assurance about whether the Department's closing package financial statements are free from material misstatement, we also performed tests of its 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 closing package financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit of the closing package financial statements, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 17-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 15, 2017

Report Fraud, Waste, and Mismanagement



Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to departmental or Insular Area programs and operations. You can report allegations to us in several ways.



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