AUDIT

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

Independent Auditors' Report on the U.S. Department of the Interior's Financial Statements for Fiscal Years 2020 and 2019

Report No.: 2020-FIN-028 November 2020

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

NOV 16 2020

Memorandum

To: Secretary Bernhardt

From: Mark Lee Greenblatt
Inspector General

Subject: Independent Auditors' Report on the U.S. Department of the Interior's Financial Statements for Fiscal Years 2020 and 2019
Report No. 2020-FIN-028

This memorandum transmits the KPMG LLP (KPMG) auditors' report of the U.S. Department of the Interior's (DOI) financial statements for fiscal years (FYs) 2020 and 2019. The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the DOI Inspector General, or an independent external auditor as determined by the Inspector General, to audit the DOI's financial statements.

Under a contract issued by the DOI and monitored by the Office of Inspector General, KPMG, an independent public accounting firm, audited the DOI's financial statements for the FYs that ended September 30, 2020 and 2019. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency *Financial Audit Manual*.

In its audit, KPMG reported:

- The financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles

- One material weakness and four significant deficiencies in internal controls over financial reporting:

  - *Material Weakness*

    1. Controls over financial reporting

  - *Significant Deficiencies*

    1. Controls over construction in progress

    2. Controls over journal entries

3. General information technology controls

4. Entity-level controls

- No instances in which the DOI's financial management systems did not comply substantially with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA)

- No reportable noncompliance with provisions of laws tested or other matters

In connection with the contract, we reviewed KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the DOI's financial statements, conclusions about the effectiveness of internal control over financial reporting, or conclusions on whether the DOI's financial management systems substantially complied with the three FFMIA requirements or whether the DOI complied with laws and other matters. KPMG is responsible for the attached auditors' report dated November 16, 2020, and the conclusions expressed therein. Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement the recommendations; and recommendations that have not been implemented.

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

Attachment

KPMG LLP
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1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. Department of the Interior (the Department), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of net cost, changes in net position, and custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated 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, 2020 and 2019, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated 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 consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The *Introduction, Office of Inspector General's Transmittal, Other Information,* and *We Would Like to Hear From You* sections are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2020, we considered the Department's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Exhibit I, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiencies described in the accompanying Exhibit I as item A to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Exhibit I as items B, C, D and E to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements as of and for the year ended September 30, 2020 are free from material misstatement, we 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Department's Responses to Findings

The Department's responses to the findings identified in our audit are described as a separate attachment titled *Management's Response to Independent Auditors' Report for Fiscal Year (FY) 2020 (Assignment No. 2020-FIN-028)*. The Department's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

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 results 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 16, 2020

Internal control is a dynamic process used by management to achieve its objectives and an effective internal control system helps an entity adapt to shifting environments, evolving demands, changing risks, and new priorities. As programs change and entities strive to improve operational processes and implement new technology, management must identify the potential risks that would prevent them from achieving their objectives and continually evaluate its internal control system so that it is effective and updated when necessary. As such, management is expected to perform ongoing monitoring activities as part of the normal course of operations to ensure the controls are continuing to operate to mitigate the identified risks.

During fiscal year (FY) 2020, the Department initiated the implementation of corrective action plans to address internal control weaknesses and strengthen internal control. Although the Department made some progress in certain financial management and reporting areas, deficiencies remain in certain areas of financial reporting, construction in progress, journal entries, general information technology controls, and entity level controls that highlighted the need for improved financial management and reporting review at the Department. Additional remediation efforts are scheduled to continue in FY 2021.

MATERIAL WEAKNESS

A. Controls over Financial Reporting

Conditions

The Department's controls over the preparation and compilation of its financial statement disclosures were not designed, implemented or operating effectively to appropriately prevent, or detect and correct misclassification errors in certain financial statement disclosures. The Department needs to strengthen controls surrounding the implementation of new disclosure requirements issued by the Office of Management and Budget (OMB). Specifically, the following controls were not designed, implemented or operating effectively:

- The configuration of the financial reporting module in the financial management system was not initially designed to ensure the Department had all the data attributes needed to respond to new OMB disclosure requirements;
- Controls over validity and completeness of certain data attributes, input at the bureau level into the financial management system, were not operating effectively; and
- Review controls over the preparation of the Department's financial statements and related disclosures were not operating effectively.

These control weaknesses resulted in a misclassification error of approximately $2.35 billion in the allocation of eliminations included in the *Reclassification of Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position for FR Compilation Process* note disclosure.

As a result of our observations, the Department made the necessary corrections to its year-end financial statement to ensure the disclosure noted above was presented fairly, in all material respects, and in accordance with all applicable OMB requirements. We consider these deficiencies to be a material weakness in internal control.

Criteria

- Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book) Principle 9, 12, 16, 17 – *Identify, Analyze, and Respond to Change; Implement Control Activities; Perform Monitoring Activities; and Evaluate Issues and Remediate Deficiencies*.
- OMB Circular No. A-136, *Financial Reporting Requirements*

Cause and Effect

In FY 2020, OMB issued new reporting disclosure requirements, which became effective late in the fiscal year. The lack of appropriate risk assessment procedures in place to timely identify, analyze, and respond to significant changes to OMB Circular No. A-136 *Financial Reporting Requirement* coupled with a limitation in the financial management system configuration forced the Department to heavily rely on extensive manual processes to comply with some of the new OMB disclosure requirements. This took a significant level of effort and inevitably resulted in misclassification error to the *Reclassification of Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position for FR Compilation Process* note disclosure that were not detected during internal control reviews.

Without financial reporting controls designed, implemented and operating effectively, the Department is exposed to an increased risk that material misstatements in its financial statements and related note disclosures would be neither prevented nor detected and corrected, in a timely manner.

Recommendations

We recommend that the Department and the bureaus enhance internal control over financial reporting as follows:

1. Strengthen the process for analyzing changes in accounting standards, financial reporting requirements, laws and regulations, and appropriately respond to ensure effective steps and controls over financial reporting are implemented and documented in a timely manner.
2. Based on analysis of the changes in accounting standards; financial reporting requirements; laws and regulations, implement modifications to the financial management and reporting systems, as appropriate.
3. Bureaus should develop and implement controls to ensure all data attributes needed to comply with OMB, Treasury and other regulatory guidance are accurately captured in the financial management system.
4. Bureaus should develop and implement monitoring controls to ensure the validity, accuracy and completeness of relevant data attributes to comply with OMB, Treasury and other regulatory guidance.
5. Perform proper monitoring procedures to ensure that Department-wide controls over financial reporting are effective.
6. Strengthen review controls over financial disclosure packages.

SIGNIFICANT DEFICIENCIES

B. Controls over Construction in Progress

During fiscal year 2020, the Department continued implementing corrective action plans to address long-standing internal control weaknesses by strengthening internal controls over Construction in Progress (CIP). Although the Department made progress, an internal control deficiency remains in certain areas of accounting and reporting of CIP, as outlined below. The Department indicated that additional remediation is scheduled to continue in FY 2021.

Condition

The Department reported $2.5 billion as CIP, as of September 30, 2020. Controls were not properly designed, implemented or operating effectively to ensure that completed CIP projects were transferred to property, plant, and equipment (PP&E) in a timely manner. Specifically, we noted approximately $14.5 million of completed projects were not transferred from CIP into the associated completed PP&E account in a timely manner.

Criteria

- GAO Green Book Principle 4 and 10 – *Demonstrate Commitment to Competence and Design Control Activities.*
- OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control, Section IV, Assessing Internal Control.*
- Reclamation Manual Directives and Standards FIN 07-24, *Assets Under Construction.*

Cause and Effect

Bureaus within the Department often construct assets on behalf of another bureau and, upon completion, transfer the asset to the bureau who will retain the asset's title. Existing accounting processes and procedures rely on timely acceptance by the receiving bureau. When common operational acceptance delays occured, the Department did not have accounting processes and procedures in place to properly account for the transfer of completed and operable assets from CIP to PP&E, which resulted in presentation errors in the consolidated financial statements. Additionally, Project Managers (PMs) were not held accountable to accurately report on the status of construction projects and, as such, were not providing consistent and timely updates as to a project's status. If left un-remediated, these conditions continue to present an increased risk that errors in PP&E will not be prevented, or detected and corrected, by the Department's management in the normal course of performing their assigned functions.

Recommendations:

We continue to recommend that the Department and bureaus enhance internal control over general property, plant, and equipment as follows:

1. Develop procedures for circumstances where bureaus are unable to transfer a completed asset due to delays in acceptance.
2. Develop a resolution process for any completed asset transfer disputes between bureaus to ensure key data elements of the PP&E note disclosure are complete and accurate.
3. Develop and implement oversight processes to ensure that PMs are adequately documenting the status of construction projects and are adhering to accounting policies and procedures.
4. Improve training and supervision for all PMs and property accountants on matters affecting the financial statements, including adhering to accounting policies and procedures.
5. Improve quarterly communication within the Department when transfer scenarios involving completed assets impact the PP&E note disclosure.

C. Controls over Journal Entries

Conditions

To support financial reporting operational requirements across all bureaus, the Department established an internal control framework over the review, aggregation and posting of journal entries. This framework consists of a combination of configuration controls embedded in the Department's financial management reporting system and a Department-wide policy for dealing with manual journal entry policies to ensure the proper level of segregation of duties. Although the Department established the framework noted above, controls over the design of the Department-wide policy over manual journal entries still need to be strengthened. Specifically, we noted the following weaknesses in the design and implementation of the Department-wide policy over manual journal entries:

- The policy did not describe the Department-wide risks that need to be addressed by each bureau;
- The policy delegated the responsibility to each bureau to determine which transactions are manual in nature. As a result, each bureau defined manual journal entries differently; and
- Bureaus did not apply the appropriate segregation of duties requirements outlined in the Department's policy in a consistent manner.

Criteria

- GAO Green Book Principles 10, 13, 16 and 17 – Design Control Activities; Use Quality Information; Perform Monitoring Activities; and Evaluate Issues and Remediate Deficiencies, respectively.

Cause and Effect

The Department had not fully completed and documented a comprehensive risk assessment surrounding different types of journal entries, the completeness and accuracy of manual journal entries, and bureau requirements for addressing identified risks. To ensure that the risk assessment referred to above is comprehensive, the Department planned for certain system configuration changes to its financial management system; however, these changes were not planned to be completed until fiscal year 2021. Insufficiently designed, implemented and operated journal entry policies increase the risk that manual entries are not be appropriately prepared, reviewed, approved and/or recorded within the Department's financial management system.

Recommendations

We recommend that the Department enhance internal controls over manual journal entries as follows:

1. Perform a root cause analysis to determine how deficiencies in the manual journal entry process occurred and perform proper monitoring procedures to fully implement the corrective action plans developed and ensure issues are fully remediated within six months of the issuance of the final auditor's report.
2. Complete documentation surrounding the risk assessment over the system document types and to help determine which document types are manual entries versus automated transactions.
3. Within the financial management reporting system, correct areas where automated entries and manual entries are not configured properly and/or overlap.
4. Enable system segregation of duty capabilities for all identified manual journal entries and implement system configuration changes timely.
5. Develop formal communication of the Department's risk assessment over journal entries and requirements for bureaus to address the risks identified.
6. Issue an updated journal entry policy standardizing the manual journal entry process across the entire Department.

We recommend that bureaus enhance internal controls over manual journal entries as follows:

1. Provide sufficient training and resources to employees involved in the manual journal entry control process.
2. Implement more robust processes for tracking and properly documenting the preparation and posting of manual journal entries that align with the Department's journal entry policy to ensure segregation of duties are completed in the correct order and in a timely manner.
3. Implement and enforce a more detailed periodic review over manual journal entry logs.

D. General Information Technology Controls

Effective controls over access to programs and system data are implemented to prevent unauthorized users from performing tasks not assigned to them and to log and monitor unscrupulous, unauthorized, or inappropriate activity that could compromise the confidentiality, integrity, and availability of the data residing in information systems.

In FY 2020, we continued to note weaknesses in information technology (IT) controls designed to protect the Department's financial management systems, as required by OMB Circular No. A-130 (Revised), *Management of Federal Information Resources*. Although the Department made progress in certain areas relating to IT controls over financial management systems, deficiencies remain in IT controls over access to programs and data.

Conditions

The Department did not properly address previously identified system control deficiencies to ensure they were remediated in FY 2020. Specifically, the Department did not adequately document and properly implement key control activities in the operating system layer related to system account access and segregation of duties. Additionally, terminated users' system access privileges were not consistently disabled and/or removed prior to the off-boarded employees' last day at the Department.

Furthermore, the Department was unable to provide sufficient audit documentation to support the performance of control activities over the review of system application security audit logs and operating system patch testing.

Criteria

- GAO Green Book Principles 3, 5, 6, 10, 11, 14 and 16 – Establish Structure, Responsibility, and Authority; Enforce Accountability; Define Objectives and Risk Tolerances; Design Control Activities; Design Activities for the Information System; Communicate Internally; and Perform Monitoring Activities, respectively.
- Department of the Interior *Security Control Standard, Audit and Accountability*, version 4.1 (September 2016)
- OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, provides specific requirements for assessing and reporting on controls in the federal government

Cause and Effect

The Department did not properly communicate protocols to accurately delineate responsibilities and ensure control activities, such as the periodic review for conflicts with segregation of duties and least privilege review, were appropriately performed. Furthermore, Department policies and procedures requiring timely removal of terminated users from the Department's network and financial system access were not routinely followed. The Department also did not design a process with a sufficient audit trail to document the reviews of security audit log. Additionally, while the Department developed corrective action plans to address prior year control findings, the plans were not adequately designed to fully remediate deficiencies. Inadequately designed, implemented, and documented system controls increase the risk of inappropriate access to system infrastructure and financial data integrity.

Recommendations

We recommend that the Department increase its emphasis on formally developing and maintaining effective IT controls to reduce the risks posed to the integrity of the Department's financial information. Specifically, the Department should:

1. Perform a root-cause analysis to determine why certain prior year control deficiency conditions were overlooked during the corrective action plan development process to remediate prior year control findings.
2. Sufficiently document IT control activities to clearly articulate roles and responsibilities of control owners.
3. Review and strengthen the process documentation to ensure operating system access controls are properly designed and ensure such documentation addresses how controls mitigate related risks.
4. Enforce policies and the timeline by which a terminated user's access is removed, including collection of Personal Identity Verification (PIV) and/or laptop collection and removal of access within the system.
5. Revise and implement procedures to generate and retain appropriate documentation to support the consistent performance of control activities and maintain an appropriate audit trail.
6. Formalize communications across the Department and implement adequate monitoring procedures to ensure that control responsibilities are discharged properly and consistently. Monitoring procedures should also verify that control activity documentation is created and properly retained.

E. Entity-Level Controls

Conditions

The control environment sets the tone of an organization by influencing the control consciousness of its personnel. It is also the foundation for all components of internal control, providing discipline and structure. The GAO *Standards of Internal Control for Federal Government* state that an effective internal control system requires each of its five components, including control environment; risk assessment; control activities; information and communications; and monitoring to be effectively designed, implemented, and operating together in an integrated manner.

During fiscal year 2020, the Department worked on implementing corrective action plans to address internal control weaknesses and strengthen its entity level controls. Although the Department made progress, the Department needs to continue to address deficiencies in its entity-wide control environment components of Risk Assessment and Monitoring. As we reported in the previous fiscal year, we continued to observe entity-wide control environment conditions, which contributed to the deficiencies noted above, as follows:

- The Department did not appropriately identify, analyze, and respond to significant changes in applicable financial reporting requirements which impacted its' internal control system and resulted in significant misstatements as outlined in our finding A above (Risk Assessment).
- The Department operated with several outdated policies and procedures related to financial reporting and accounting operations (Risk Assessment).
- The Department failed to monitor key controls to ensure effectiveness throughout the financial reporting process including reviews of journal vouchers, property, plant, and equipment (PP&E), and general information technology (IT) controls as outlined in our findings B, C and D above (Monitoring).
- The Department continued to experience repeat control deficiencies, highlighting the need to strengthen controls over the preparation and evaluation of corrective action plans to ensure the successful evaluation and remediation of control deficiencies (Monitoring).
- Controls over the planning and execution of Department-wide monitoring control program and processes needed to be strengthen (Monitoring).

Criteria

- GAO Green Book Principles 7, 9, 16 and 17- *Identify, Analyze, and Respond to Risks*; *Identify, Analyze, and Respond to Change; Perform Monitoring Activities; and Evaluate Issues and Remediate Deficiencies,* respectively.

Recommendations

We continue to recommend that the Department perform an assessment of its entity level controls, and improve controls over risk assessment and monitoring as follows:

1. Timely update Department policies, procedures and guidance to effectively address changes to standards, laws and regulations.
2. Implement key monitoring controls to ensure control effectiveness throughout the financial reporting process and develop robust policies and procedures to increase oversight, review, and accountability of accounting events at the bureau level to ensure the successful implementation of an effective internal control environment.
3. Continually monitor and reevaluate whether corrective action plans applied were effective. The Department should consider whether implementing financial auditors' recommendations is enough to close a corrective action plans, or if there is a need to employ additional remedies to fix a control deficiency. As such, the Department should perform an independent root cause analysis during the corrective action plans development process to gain an in-depth understanding of what caused the control deficiency and to ensure corrective actions are complete and will fully remediate the issues. Furthermore, require CAPs to assist in tracking, evaluating, and correcting internal control findings and recommendations from all audits and reviews (i.e., from the OIG, GAO or their own internal control monitoring framework).
4. Perform an evaluation of the Department's entity level controls and determine if each of the GAO Green Book components and principles have been addressed by the entity level controls that have been put in place by the Department.

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

Memorandum

To: Mr. Mark Lee Greenblatt
Inspector General
U.S. Department of the Interior
Office of 1nspector General
1849 C Street, NW
Washington, DC 20240

From: Scott J. Cameron,
Acting Assistant Secretary for Policy, Management and Budget (PMB)

Digitally signed by SCOTT CAMERON
Date: 2020.11.10 16:34:38 -05'00'

Tonya R. Johnson
Deputy Chief Financial Officer (DCFO) and
Director, Office of Financial Management (PFM)

TONYA JOHNSON
Digitally signed by TONYA JOHNSON
Date: 2020.11.10 16:31:30 -05'00'

Subject: Management's Response to Independent Auditors' Report for Fiscal Year (FY) 2020 (Assignment No. 2020-FIN-028)

The Department of the Interior (DOI) reviewed the Auditor's Report prepared by KPMG LLP. We are proud of the Department's success in achieving an unmodified audit opinion for our FY 2020 consolidated financial statements.

For FY 2020, the Department received a material weakness related to the Office of Management and Budget (OMB) A-136, Financial Reporting Requirements, Note 44. We also acknowledge four significant deficiencies. We agree with your recommendations and will focus on necessary corrective actions to address each of the issues.

In closing, we would like to thank your office for providing critical information needed for the DOI to improve and sustain a strong internal control environment. We are committed to the continuous improvement of our financial management activities, and your efforts are directly in support of that commitment.

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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