

SECTION 1 CHAPTER 6 REPORTING

The fifth step in the Internal Control Process is preparing the annual assurance statements from bureau/office heads and program assistant secretaries that support the Secretary's Assurance Statement and Annual Report to the President and the Congress.

Annual Reporting

DOI's annual reporting process is a vertical flow of information. Bureau/Office annual assurance statements must incorporate information regarding FMFIA Sections 2 and 4, information technology security, compliance with core accounting system requirements, and internal control over financial reporting, which is a subset of the overall FMFIA assurance statement. The bureaus'/offices' annual assurance statements form the basis for the Secretary's Statement to the President and the Congress which is included as part of the Department's Annual Performance and Accountability Report. The process is described below.

Preparing and Issuing an Annual Assurance Statement on Financial Reporting

The Annual Assurance Statement for Internal Control over Financial Reporting is required beginning in fiscal year 2006. This assurance statement is a subset of the overall Statement of Assurance and is based on the results of management's assessment as of June 30, conducted in accordance with the requirements of OMB's Circular A-123, Appendix A. Any changes to the conditions reported in the as of the June 30 Assurance Statement, whether positive (corrected weakness) or negative (additional identified weakness), is to be reported on an updated statement as of September 30.

Preparing and Issuing an Annual Assurance Statement on Compliance with FMFIA

The Annual Assurance Statement is required in the annual FMFIA reporting process. Bureau and office heads prepare an annual assurance statement that is submitted through their respective program Assistant Secretary. Bureau/Office assurance statements form the basis for the Secretary's Annual Assurance Statement which is submitted to the President and the Congress as part of the Department's Annual Performance and Accountability Report. Annually, PFM will provide a sample assurance statement template.

Bureau Reporting

To allow assistant secretaries to fulfill their reporting responsibilities to the Secretary, each bureau head is required to submit their annual assurance statements through their program assistant secretary to the Secretary. Assurance statements should be addressed to the Secretary and sent through the program assistant secretary to PFM. The annual assurances must include information on the following.

1. **Information on Bureau's System of Internal Controls (Section 2, FMFIA).** This statement is based on all available information, including scheduled internal control assessments, audits performed by OIG and GAO, GPRA performance assessments, management studies, and other reviews. These evaluations provide the basis for the bureau head's reasonable assurance, as explained below. The statement must include all open material weaknesses/deficiencies reported in the Secretary's previous assurance statement for which corrective actions have not been completed, and for all material weaknesses/deficiencies identified from the current year assessments, together with the plans and schedules for correcting such weaknesses/deficiencies. In addition, weaknesses/deficiencies reported in previous years that are no longer considered material, require a certification that the corrective actions were completed.

Full compliance with Section 2 of the FMFIA includes having reasonable assurance that adequate review documentation exists with sufficient testing to support evaluation conclusions. Full compliance also includes the effective utilization of people and other resources, and the timely correction of weaknesses/deficiencies.

Due to the differences in timing of the submission of the assessment of internal control over financial reporting and the reporting results in the PAR, there is a potential for a change to the status of the assessed effectiveness of internal controls. Changes in status should be reflected in the Annual Assurance statement as follows:

- If a material weakness is discovered by June 30, but corrected before September 30, revise the assurance statement reported in the PAR to identify the material weakness, the corrective action taken, and that it has been resolved.
 - If a material weakness is discovered after June 30, but prior to the PAR issuance, revise the assurance statement to include the subsequently identified material weakness.
2. **Information on Bureaus' Information Technology System Security (OMB Circular A-130).** The information should describe whether adequate security exists in bureau automated information systems. It also describes information technology security material weaknesses/deficiencies identified during reviews or audits of sensitive applications and/or risk analyses of installations.
 3. **Information on Bureau Accounting System Compliance Review (Section 4, FMFIA).** This information should be based on the results of the bureaus internal annual information systems assessments as well as the results of OIG and independent third party system reviews. The requirements contained in Section 3, Chapter 3, Information Technology Internal Control Reviews, of this handbook will be utilized as a guide in assessing system compliance. The requirements contained in this section are intended to serve as a tool to assist system owners and managers in conducting system reviews and to assist with the assessment of system compliance.

4. **Information on Bureau Core Accounting System Compliance.** This information should be based on the Core Compliance reviews, as required by the Chief Financial Officers Act of 1990 and the FFMIA Act of 1996 and other statutes, and, where appropriate, the results of the bureau financial statement audit reports.
5. **Basis for Assurance.** Bureau annual assurance statements must specifically list the management control assessments and OIG/GAO audits which were relied upon to reach assurance statement conclusions.

NOTE: PFM's annual internal control guidance to bureaus includes a sample assurance statement for bureaus to follow.

Secretary's Reporting

The Secretary, under FMFIA, has annual reporting responsibilities to the President and the Congress on: (1) The results of assessments made on the Department's controls including any identified material weaknesses (Section 2); and (2) whether the Department's financial management systems conform to the Federal Accounting Standards Advisory Board (FASAB) issued accounting standards and related requirements (Section 4).

Serving as the Secretary's key staff office on FMFIA, PFM prepares the Secretary's annual assurance statement. In addition to the Secretary's statements on Sections 2 and 4 of the FMFIA, the assurance statement includes: (1) Highlights of DOI's current fiscal year's Internal Control Program results; (2) actions taken to improve the program; (3) descriptions of material and mission critical weaknesses/deficiencies; and (4) schedules for corrective actions. This statement is based on all bureau assurance statements and is included in the Department's Annual Performance and Accountability Report.