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Management Division

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June 15, 1995

The Honorable Frank Murkowski
Chairman
The Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and Natural Resources
United States Senate

The Honorable Larry Craig
Chairman
The Honorable Bill Bradley
Ranking Minority Member
Subcommittee on Forests and Public Land Management
Committee on Energy and Natural Resources
United States Senate

The purpose of this letter is to suggest changes in S. 45, the Helium Reform and Deficit Reduction Act of 1995, and S. 738, the Helium Act of 1995. S. 45 would provide for termination of the helium operations of the Interior Department's U.S. Bureau of Mines and would require that we audit annually the financial statements of the Helium Fund, which would be prepared by Interior's Inspector General (IG). S. 738 would also terminate the Bureau of Mines helium operations, but would not require financial statement audits.

The changes we are suggesting would eliminate a duplication of financial statement audits already performed under the Chief Financial Officers (CFO) Act while ensuring that audited financial information on the Helium Fund continues to be reported. The Bureau of Mines financial statements for fiscal years 1993 and 1994, prepared under the CFO Act and audited by Interior's IG, contain the detailed information on the Helium Fund that would be required by S. 45. Because S. 738 would not require a financial statement audit of the Helium Fund, it would not duplicate the CFO Act requirements. However, unless amended, S. 738 would not ensure that audited financial information on the Helium Fund would continue to be available to the Congress.

Two House bills--H.R. 846, the Helium Act of 1995, and H.R. 873, the Helium Privatization Act of 1995--would also require

GAO/AIMD-95-149R, S. 45 and S. 738 Helium Fund Audits

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audited financial statements of the Helium Fund. We are sending a letter to the Chairmen and Ranking Minority Members of the House Committee on Resources and its Subcommittee on Energy and Mineral Resources suggesting that the same changes we are proposing for the Senate bills be made to the House bills.¹

BACKGROUND

Beginning in 1992, under the CFO Act, the CFOs for Interior's component agencies, including the Bureau of Mines, have prepared and the IG has audited bureau-level financial statements. These audits covered fiscal years 1992 through 1994. The Bureau of Mines' CFO plans to prepare fiscal year 1995 financial statements, which will be audited by Interior's IG. The audits are to be made in accordance with generally accepted government auditing standards.

Under the CFO Act, as amended by the Government Management Reform Act (GMRA), beginning with fiscal year 1996, Interior is to prepare and submit to the Director of the Office of Management and Budget (OMB), by March 1, 1997, consolidated audited financial statements for the department. These statements are to reflect the overall financial position and the results of operations of Interior's offices, bureaus, and activities. OMB has the authority under GMRA to require that Interior (1) continue to prepare bureau-level financial statements in addition to the departmentwide statement or (2) prepare a stand-alone audited financial statement of the Helium Fund.

The CFO Act and its implementing guidelines² issued by OMB require that the Interior Department's IG, or an independent external auditor approved by the IG, perform the audits. In addition, the CFO Act permits the Comptroller General to review any audit of a financial statement conducted by an IG or an independent auditor. The act also permits us to perform financial statement audits at the request of a committee of the Congress or at our discretion.³

¹GAO/AIMD-95-150R, H.R. 846 and H.R. 873 Helium Fund Audits

²OMB Bulletins 93-06, Audit Requirements for Federal Financial Statements; 93-18, Audited Financial Statements; and 94-01, Form and Content of Agency Financial Statements.

³We also have authority under chapter 35 of title 31, United States Code, to audit, at our discretion, activities of federal agencies and entities receiving federal funding.

AUDIT PROCESS

Interior's Office of Inspector General (OIG) has performed financial audits of the Bureau of Mines' financial transactions, including the Helium Fund, since fiscal year 1992. The Inspector General's January 1995 audit report⁴ for the Bureau of Mines' principal financial statements for fiscal years 1993 and 1994 concluded that (1) the principal financial statements were reliable in all material respects, (2) the internal control structure in effect at September 30, 1994, provided reasonable assurance that any losses of assets or misstatements in financial information that are material to the financial statements would be detected, (3) there were no instances of material noncompliance with selected provisions of laws and regulations for fiscal year 1994 that the auditors tested, and (4) the financial information in the overview to the financial statements was reliable and consistent with the information contained in the statements.

Under the CFO Act as amended by the GMRA, Interior is to issue audited financial reports by March 1, 1997, for the preceding fiscal year. Section 7 of S. 45 would require these reports to be issued by March 31 for the preceding fiscal year.

Consistent with the requirements in S. 45, the Bureau of Mines' Statement of Financial Position (Balance Sheet) and accompanying notes provide information on the Helium Fund's debt to the Treasury and the unpaid interest on this debt. Helium Fund receipts, as reported in the financial statements, include fees, penalties, interest and administrative charges on past due receivables, and proceeds from the sale of its assets. Also, consistent with S. 45, Interior does not include royalties as fund revenues.

In addition to presenting the Bureau of Mines financial statements, which include Helium Fund information, the audit report includes combining statements. These statements break out each of the Bureau's major funds--appropriations, trust funds, and the Helium Fund--and provide line-item detail related to the financial statements along with the combined totals.

Interior officials told us that they plan to continue preparing the component agencies' audited financial reports,

⁴U.S. Bureau of Mines Principal Financial Statements for Fiscal Years 1993 and 1994, Report No. 95-I-439, January 23, 1995.

including the Bureau of Mines' detailed information on the Helium Fund, after the GMRA requirement for a consolidated departmentwide financial statement audit report goes into effect. However, under GMRA, Interior is not required to prepare audited reports detailing Helium Fund information after fiscal year 1995. While OMB could require Interior to prepare bureau-level or stand-alone Helium Fund audit reports, it has not yet done so. OIG audit officials estimate that it would cost about \$75,000 annually to meet a stand-alone audit requirement.

Under S. 45 and S. 738, the government's helium operations would be terminated within a year after passage of the proposed legislation. As a result, audits of the Helium Fund's financial activities would only be needed until the fund is terminated in accordance with the provisions of the legislation.

In summary, while Interior plans to continue providing audited reports which include detailed information on the Helium Fund, it is not required to do so. Although OMB has the authority to require Interior to continue providing audited bureau-level or stand-alone financial reports, it has not yet done so. The effect of section 7 of S. 45 would be to impose a stand-alone financial audit requirement.

The requirements in section 7 of S. 45 that the IG prepare and that we audit the financial statements of the Helium Fund duplicates Interior's current financial reporting and audit practices under the CFO Act. To eliminate duplication and to be consistent with the financial statement and audit requirements imposed by CFO Act, we believe that S. 45 should require that Interior's CFO prepare the Helium Fund financial statement information in either a stand-alone format or in a consolidated report format with combining statements to include Helium Fund detail and that the IG, or the Comptroller General at his discretion, audit them by March 1.

The committee could address our suggestions by amending section 7 of S. 45 to substitute "Chief Financial Officer" for "Inspector General" in the new section 16(b) added by section 7, to substitute "March 1" for "March 31" in the new section 16(b)(1), and to substitute "Inspector General" for "Comptroller General" in the new section 16(b)(4). In addition, the committee could add the following language at the end of the new section 16(b)(4)(A): "The financial statements of the Helium Fund may be audited by the Comptroller General, at his discretion, or at the request of a committee of the Congress." The committee could also add language consistent with these suggestions to S. 738.

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We are sending copies of this letter to the Director of OMB, cognizant oversight committees, and other interested parties. If you have any questions concerning our suggestions, please call me at (202) 512-3508.



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Director, Civil Audits

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