



United States Department of the Interior

BUREAU OF RECLAMATION
Washington, D.C. 20240

REPLY REFER TO:

D-7400
ADM-1.00

November 12, 2003

MEMORANDUM

To: Office of the Inspector General
Attention: Assistant Inspector General for Audits

From: John W. Keys, III /s/ Mark A. Limbaugh
Acting for Commissioner

Subject: Response to Draft Independent Auditors' Report on the Bureau of Reclamation's Financial Statements for Fiscal Years 2003 and 2002 (Assignment No. C-IN-BOR-0077-2003)

We appreciate the opportunity to review and comment on the draft audit report titled Independent Auditors' Report on the Bureau of Reclamation's Financial Statements for Fiscal Years 2003 and 2002. Enclosed for your consideration is Reclamation's response to the recommendations as stated in the draft audit report.

Overall, we concur with the findings and recommendations and have provided information on planned corrective actions. However, Reclamation disagrees with KPMG's finding that Reclamation did not substantially comply with Federal accounting standards as required by the Federal Financial Management Improvement Act (FFMIA). Reclamation believes that its financial management systems are substantially in compliance with accounting standards and Office of Management and Budget (OMB) Circular A-130 as required by FFMIA. Specifically, Reclamation meets the FFMIA compliance requirement as provided in the OMB Memorandum, "Revised Implementation Guidance for the Federal Financial Improvement Act," dated January 4, 2001. For example, Reclamation prepares financial statements in compliance with Form and Content of Agency Financial Statements, OMB Bulletin No. 01-09, and Reclamation's financial information produced for internal management is accurate and consistent with Federal accounting standards.

Furthermore, Reclamation does not agree with the reporting level for Recommendation B.1 "Application and General Controls Over Financial Management Systems" and Recommendation F.1. "Controls Over Accounting for Intradepartmental Transactions." As discussed in the responses to these recommendations, Reclamation does not believe that these issues warrant a reportable condition, under standards established by the American Institute of Certified Public Accountants. Such standards define

“reportable condition” as a significant deficiency in the design or operation of internal controls that could adversely affect the entity’s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reclamation does not agree that there were significant deficiencies in the design or operation of internal controls.

If you have any questions or require additional information, please contact Reclamation’s Audit Liaison Officer, Tom Lab, at (303) 445-3436.

Attachment

cc: Assistant Secretary - Water and Science
Attention: Olivia Ferriter
w/attachment

Bureau of Reclamation
KPMG, LLP Draft Audit Report
Response to Draft Audit Report Recommendations
November 2003

A. Controls Over Land Inventory

Recommendation A.1

Continue to complete the reconciliation of the financial accounting system support for lands and land rights costs with the subsidiary records, including individual project plat book maps, which contain data from individual land purchase contracts.

Response

Concur. Reclamation will continue the reconciliation of the financial accounting system support for lands and land rights with subsidiary records, including individual project plat book maps in accordance with the 5-year corrective action plan.

The responsible official is the Director, Operations. The target date for completing the reconciliation is September 30, 2005.

Recommendation A.2

Continue to include a material land inventory system internal control weakness in Reclamation's Federal Managers' Financial Integrity Act (FMFIA) report to the Department of the Interior until resolved.

Response

Concur. Reclamation included the land inventory material weakness in Reclamation's Annual Assurance Statements on Management Controls for fiscal years 2000 through 2003, and will continue to report this weakness until all corrective actions are implemented.

The responsible official is the Director, Management Services. This material weakness will be reported each year until it is resolved.

Recommendation A.3

Properly implement existing policies and procedures to ensure land additions and deletions are recorded properly in Reclamation's financial accounting system. This includes improved coordination between Reclamation's realty office and finance.

Response

Concur. Reclamation will properly implement existing policies and procedures to ensure land additions and deletions are properly recorded. This will include all current year additions and deletions being recorded in the accounting system and the land system regardless of when the project will be reviewed during the 5-year reconciliation plan. Reclamation will develop a process to improve coordination between its realty and finance offices.

The responsible officials are the Director, Operations and Director, Management Services. The target date for issuing additional guidance, if necessary, is December 31, 2003. Quality control and oversight will be performed throughout the year to ensure full implementation by September 30, 2004.

B. Application and General Controls Over Financial Management Systems

Recommendation B.1

We recommend that the Commissioner, Bureau of Reclamation continue implementation of its formal action plan to improve the security and general controls over the financial management systems. This plan should address each of the areas discussed above.

Response

Although Reclamation concurs with the individual findings, we do not agree that the findings described merit designation as a reportable condition, i.e., the findings do not “represent significant deficiencies in the design or operation of internal control.” The findings fall into two categories:

1. Exceptions to generally implemented controls, e.g., “For one of its financial support applications, Reclamation has not updated and finalized its security plan.”
2. Conditions for which there are other mitigating controls in place to protect the financial systems and data, including automated edits, independent reviews, and limitations on who can move information from one financial application to another.

Reclamation has well-designed and implemented controls for its security program, including planning requirements, risk management, segregation of duties, access controls, and change controls for the financial systems. Based on the controls in place and the discussion above, there is no evidence that the security and general control deficiencies cited in the audit findings could have materially impacted the reliability of Reclamation’s financial reporting.

Complied. Reclamation has included these areas in our formal action plan to improve information technology security and has completed the necessary activities to address each issue discussed in the draft audit report:

Security Program: Reclamation has policies and procedures in place to comply with Office of Management and Budget (OMB) Circular A-130, including implementation of the Certification and Accreditation (C&A) process. Risk assessments are routinely performed on our financial systems and are included in the overall plan to develop the necessary documentation for Interim Authority to Operate (IATO) and full C&A. General Rules of Behavior for Reclamation systems have been published, and supplemental rules specific to each system are developed as needed. The security plan for the specific system identified in the audit has been updated.

Segregation of Duties: Timekeeping procedures have been reviewed, revised, and documented to correct the problem identified with segregation of duties.

Access Controls: The access control issues identified during the audit relate to database access. The specific weaknesses were corrected shortly after they were identified, and procedures have been revised and published to avoid the problem in the future. In addition, Reclamation has acquired an automated tool to monitor compliance with database management procedures.

Software Development and Change Controls: Change control procedures for the system identified in the audit have been documented. Such controls are documented and/or reviewed as part of the C&A process discussed above.

C. Controls Over Construction-in-Progress and Structures and Facilities Accounts

Recommendation C.1

Implement policies and procedures requiring Reclamation's program managers to communicate information regarding project status to the finance community at or near each period end, and perform timely follow-up procedures to ensure that Reclamation's financial statements reflect the most current project status.

Response

Concur. Reclamation's finance and the program communities will coordinate efforts to improve procedures and communication to fully implement construction-in-progress (CIP) policies and procedures.

The responsible officials are the Director, Operations, and Director, Management Services. The target date for implementing these policies and procedures is March 31, 2004. Quality control and oversight will be performed throughout the year to ensure full implementation by September 30, 2004.

Recommendation C.2

Implement and follow existing Reclamation policies and procedures, including regional quality control procedures, to ensure that the CIP and structures and facilities accounts only include costs for items meeting the definition of capitalizable general property, plant, and equipment, and accumulated depreciation is properly recorded on disposals.

Response

Concur. Reclamation will implement and follow existing Reclamation policies and procedures, including regional quality control procedures, to ensure that the CIP and structures and facilities accounts only include costs for items meeting the definition of capitalizable general property, plant, and equipment, and accumulated depreciation is properly recorded on disposals.

The responsible official is the Director, Operations. The target date for implementing policies and procedures, including regional quality control procedures is June 30, 2004.

D. Controls Over Accrued Liabilities

Recommendation D.1

Implement policies and procedures requiring Reclamation's program personnel to communicate information regarding contract status to the finance community at or near each period end, and perform timely follow-up procedures to ensure that Reclamation's financial statements reflect the most current contract status at the transactional level.

Response

Concur. Reclamation finance staff will coordinate with program staff to fully implement accrual policies and procedures to ensure that program staff communicates information on goods and services which have been received to the finance community in a timely manner. Further, Reclamation finance staff will implement follow-up procedures to ensure that necessary accruals have been recorded in the financial statements at the transactional level.

The responsible officials are the Director, Operations, and Director, Management Services. The target date for implementing these policies and procedures is March 31, 2004. Quality control and oversight will be performed throughout the year to ensure full implementation by September 30, 2004.

Recommendation D.2

Implement additional policies and procedures to ensure that accruals not made at the transactional level are complete and accurately recorded. These procedures should include testing of the accrual estimates, based on actual subsequent activity at each period end.

Response

Concur. Reclamation will continue to use and/or improve the methodology used to estimate the accrual adjustment for the fiscal year 2003 year end. The accrual adjustment is comprised of transactions below the \$25,000 threshold and any unrecorded transactions over the threshold. Reclamation will implement procedures to test the accrual estimate, based on actual subsequent activity at each period end, and will refine the accrual methodology, as necessary.

The responsible official is the Director, Management Services. Testing of the accrual estimate, based on actual subsequent activity, will be performed quarterly, beginning with the quarter ending March 31, 2004, and will be fully implemented by September 30, 2004.

Recommendation D.3

Continue to implement oversight procedures to ensure compliance with current Reclamation policies and procedures.

Response

Concur. Reclamation will continue to implement oversight procedures to ensure compliance with current policies and procedures.

The responsible official is the Director, Management Services. The target date for enhancing existing oversight procedures to ensure compliance with current policies and procedures is December 31, 2003. Quality control and oversight will be performed throughout the year to ensure full implementation by September 30, 2004.

E. Controls Over Revenue Recognition on Prepayment of Repayment Contracts

Recommendation E.1

We recommend that the Commissioner, Bureau of Reclamation establish and implement sufficient policies and procedures, including regional quality control reviews and management oversight, to ensure that prepayments of repayment contracts are recorded as unearned revenue, and recognized as revenue as benefit incurs over the duration of the contract.

Response

Concur. Reclamation will assess the need for additional policies and procedures addressing the various revenue recognition scenarios, including the treatment of prepayments received on repayment contracts. Further, Reclamation will implement regional quality control reviews and management oversight to ensure proper revenue recognition.

The responsible officials are the Director, Operations, and the Director, Management Services. The target date for developing additional policies and procedures, if necessary, is June 30, 2004. The target date for implementing these procedures is September 30, 2004.

F. Controls Over Accounting for Intradepartmental Transactions

Recommendation F.1

In conjunction with the Department and other Department of the Interior bureaus, automate the process to reconcile and correct differences in trading partner transactions. The process should be governed by formal policies and procedures.

Response

Concur. Improvements in the process to reconcile intradepartmental transactions are largely dependent on departmentally coordinated efforts to improve the process. Reclamation will fully participate in the development and implementation of these efforts, including any efforts to automate the process and the development of formal policies and procedures.

Reclamation, however, does not concur with the reporting level, i.e., that this recommendation is a reportable condition. Reclamation has made significant improvements in reconciling intradepartmental transactions throughout the year. For example, Reclamation has strengthened its internal controls over intradepartmental exchange transactions and has devoted additional resources to validate its transactional detail to support trial balances and reconcile variances each quarter. The absolute values of Reclamation's variances at year end were less than one percent of the absolute value of Reclamation's total exchange transactions with other Departmental bureaus. Due to the relative immateriality of these unreconciled differences, Reclamation does not believe that this issue warrants a reportable condition, under standards established by the American Institute of Certified Public Accountants. Such standards define "reportable condition" as a significant deficiency in the design or operation of internal control that could adversely affect the entity's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. As mentioned, Reclamation was able to reconcile intradepartmental differences down to an immaterial amount. Although this was largely a manual process, there was not a significant deficiency in the design or operation of internal controls, and accordingly, this issue does not meet the criteria for a reportable condition.

The responsible official is the Director, Management Services. The target date is subject to the Department's timeframes for developing and implementing an automated process and formal policies and procedures for accounting for intradepartmental transactions.

Recommendation F.2

Until formal and automated processes are implemented, continue to work with the Department and other Department of the Interior bureaus to improve the manual process and reconcile and adjust for differences. The reconciliation process should be completed at least quarterly and include procedures to resolve and adjust for differences in a timely manner.

Response

Complied. Reclamation continues to be a participant in the Department's efforts to automate the process for reconciling and adjusting for differences. Reclamation also continues to make significant improvements in our manual elimination process for reconciling and resolving intradepartmental differences. Reclamation currently reconciles intradepartmental differences on a quarterly basis.

Compliance with Laws and Regulations

Reclamation does not concur that its financial management systems do not substantially comply with Federal accounting standards and OMB Circular A-130 "Management of Federal Information Systems" as required by the Federal Financial Management Improvement Act (FFMIA). Reclamation asserts that its financial management systems are substantially in compliance with accounting standards and OMB Circular A-130 as required by FFMIA. Specifically, Reclamation meets the FFMIA compliance requirement as provided in the OMB Memorandum, "Revised Implementation Guidance for the Federal Financial Improvement Act," dated January 4, 2001. For example, Reclamation prepares financial statements in compliance with Form and Content of Agency Financial Statements, OMB Bulletin No. 01-09, and Reclamation's financial information produced for internal management is accurate and consistent with Federal accounting standards.

The OMB FFMIA Implementation Guidance provides indicators of compliance with OMB Circular A-130. The overall indicator is the lack of any material deficiencies identified by reviews and audits required by the circular. Although Recommendation B.1 in this audit report indicates a reportable condition, Reclamation disagrees with this reporting level. Reclamation's response to Recommendation B.1 provides support for this nonconcurrency.

The OMB FFMIA Implementation Guidance recognizes three indicators of compliance with accounting standards: (1) receiving an unqualified opinion, which Reclamation has received; (2) producing managerial cost information consistent with Financial Accounting Standards Advisory Board Standard No. 4, which Reclamation has achieved; and (3) receiving an internal control audit report that disclosed no material weaknesses in internal controls that affect the agency's ability to prepare financial statements

and related disclosures that are consistent with Federal accounting standards, budget reports, or other financial information for management decision making purposes. KPMG's finding focuses primarily on Reclamation's land and land rights material internal control weakness as its basis for determination of noncompliance with accounting standards. Reclamation does not dispute the land inventory internal control weakness and has taken corrective action in accordance with a 5-year corrective action plan. However, Reclamation does not agree that the land inventory material weakness has significantly affected its ability to prepare financial statements and related disclosures that are consistent with Federal accounting standards, budget reports, or other financial information for management decision making purposes. Taken as a whole, Reclamation's financial management systems provide financial information which is complete, accurate, reliable, and consistent, in accordance with Federal accounting standards.

**U.S. Department of the Interior
Bureau of Reclamation
Consolidated Balance Sheet
As of September 30, 2003 and 2002**

(In Thousands)	2003	2002
ASSETS (Note 2)		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	\$ 4,719,708	\$ 4,307,839
Accounts and Interest Receivable, Net (Note 4)	214,798	329,123
Advances and Prepayments	1,759	19,307
Total Intragovernmental Assets	4,936,265	4,656,269
Cash	107	124
Accounts and Interest Receivable, Net (Note 4)	14,632	23,508
Loans and Interest Receivable, Net (Note 5)	166,621	150,630
General Property, Plant, and Equipment, Net (Note 7)	13,055,281	12,977,850
Other		
Advances and Prepayments	11,666	13,663
Other Assets, Net (Note 6)	179,001	190,240
Total Assets	<u>\$ 18,363,573</u>	<u>\$ 18,012,284</u>
LIABILITIES (Note 8)		
Intragovernmental Liabilities:		
Accounts Payable	\$ 18,617	\$ 13,737
Debt (Note 9)	114,826	96,674
Other		
Accrued Payroll Benefits	19,643	20,487
Advances and Deferred Revenue	9,363	9,334
Deferred Credits	34	1,616
Judgment Fund Liability	48,798	48,797
Total Intragovernmental Liabilities	211,281	190,645
Public Liabilities:		
Accounts Payable	220,987	212,487
Federal Employees Compensation Act Liability	93,468	83,377
Environmental Cleanup Costs (Note 10)	5,804	5,441
Other		
Accrued Payroll and Benefits	40,828	48,823
Advances and Deferred Revenue	110,114	88,403
Deferred Credits	176,051	166,691
Contingent Liabilities (Note 10)	69,100	110,415
Other Liabilities	22,319	23,568
Total Public Liabilities	738,671	739,205
Total Liabilities	949,952	929,850
NET POSITION		
Unexpended Appropriations	314,643	338,509
Cumulative Results of Operations	17,098,978	16,743,925
Total Net Position	17,413,621	17,082,434
Total Liabilities and Net Position	<u>\$ 18,363,573</u>	<u>\$ 18,012,284</u>

The accompanying notes are an integral part of these statements.

**U.S. Department of the Interior
Bureau of Reclamation
Consolidated Statement of Net Cost
For the Years Ended September 30, 2003 and 2002**

(In Thousands)	2003	2002
Water and Energy Management and Development:		
Segment Expenses for Services Provided to the Public	\$ 446,891	\$ 516,443
Segment Exchange Revenues from the Public	(235,063)	(231,923)
Segment Cost of Operations for Services Provided to the Public	211,828	284,520
Segment Expenses for Services Provided to Other Federal Entities	111,637	108,138
Segment Exchange Revenues from Other Federal Entities	(110,014)	(108,927)
Segment Cost of Operations for Services Provided to Other Federal Entities	1,623	(789)
<i>Net Segment Cost of Operations</i>	213,451	283,731
Facilities Operations:		
Segment Expenses for Services Provided to the Public	348,641	195,925
Segment Exchange Revenues from the Public	(49,893)	12,807
Segment Cost of Operations for Services Provided to the Public	298,748	208,732
Segment Expenses for Services Provided to Other Federal Entities	256,199	294,624
Segment Exchange Revenues from Other Federal Entities	(253,231)	(291,646)
Segment Cost of Operations for Services Provided to Other Federal Entities	2,968	2,978
<i>Net Segment Cost of Operations</i>	301,716	211,710
Facilities Maintenance and Rehabilitation:		
Segment Expenses for Services Provided to the Public	89,995	96,715
Segment Exchange Revenues from the Public	(3,680)	(22,960)
Segment Cost of Operations for Services Provided to the Public	86,315	73,755
Segment Expenses for Services Provided to Other Federal Entities	9,161	2
Segment Exchange Revenues from Other Federal Entities	(8,903)	(2)
Segment Cost of Operations for Services Provided to Other Federal Entities	258	-
<i>Net Segment Cost of Operations</i>	86,573	73,755
Fish and Wildlife Management and Development:		
Segment Expenses for Services Provided to the Public	116,772	186,685
Segment Exchange Revenues from the Public	(27,462)	(51,474)
Segment Cost of Operations for Services Provided to the Public	89,310	135,211
Segment Expenses for Services Provided to Other Federal Entities	37,144	22,853
Segment Exchange Revenues from Other Federal Entities	(36,815)	(22,759)
Segment Cost of Operations for Services Provided to Other Federal Entities	329	94
<i>Net Segment Cost of Operations</i>	89,639	135,305
Land Management and Development:		
Segment Expenses for Services Provided to the Public	32,794	35,561
Segment Exchange Revenues from the Public	(2,330)	(886)
Segment Cost of Operations for Services Provided to the Public	30,464	34,675
Segment Expenses for Services Provided to Other Federal Entities	573	-
Segment Exchange Revenues from Other Federal Entities	(546)	-
Segment Cost of Operations for Services Provided to Other Federal Entities	27	-
<i>Net Segment Cost of Operations</i>	30,491	34,675
Policy and Administration:		
Segment Expenses for Services Provided to the Public	65,926	45,647
Segment Exchange Revenues from the Public	-	-
Segment Cost of Operations for Services Provided to the Public	65,926	45,647
Segment Expenses for Services Provided to Other Federal Entities	-	-
Segment Exchange Revenues from Other Federal Entities	-	-
Segment Cost of Operations for Services Provided to Other Federal Entities	-	-
<i>Net Segment Cost of Operations</i>	65,926	45,647
Centralized Program Support:		
Segment Expenses for Services Provided to the Public	26,752	18,926
Segment Exchange Revenues from the Public	(28,132)	(24,182)
Segment Cost of Operations for Services Provided to the Public	(1,380)	(5,256)
Segment Expenses for Services Provided to Other Federal Entities	43,534	38,515
Segment Exchange Revenues from Other Federal Entities	(33,063)	(28,124)
Segment Cost of Operations for Services Provided to Other Federal Entities	10,471	10,391
<i>Net Segment Cost of Operations</i>	9,091	5,135
Total Expenses for Services Provided to the Public	1,127,771	1,095,902
Total Exchange Revenues from the Public	(346,560)	(318,618)
Total Net Cost of Operations for Services Provided to the Public	781,211	777,284
Total Expenses for Services Provided to Other Federal Entities	458,248	464,132
Total Exchange Revenues from Other Federal Entities	(442,572)	(451,458)
Total Net Cost of Operations for Services Provided to Other Federal Entities	15,676	12,674
Total Net Cost of Operations	\$ 796,887	\$ 789,958

The accompanying notes are an integral part of these statements.

**U.S. Department of the Interior
Bureau of Reclamation
Consolidated Statement of Changes in Net Position
For the Years Ended September 30, 2003 and 2002**

(In Thousands)	2003	2002
UNEXPENDED APPROPRIATIONS		
Beginning Balance	\$ 338,509	\$ 168,397
Budgetary Financing Sources:		
Appropriations Received, General Funds	151,924	88,569
Appropriations Transferred In/Out	39,305	250,528
Appropriations Used	(215,095)	(168,941)
Other Adjustments	—	(44)
Total Budgetary Financing Sources	(23,866)	170,112
Ending Balance – Unexpended Appropriations	<u>\$ 314,643</u>	<u>\$ 338,509</u>
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	\$ 16,743,925	\$ 16,527,380
Budgetary Financing Sources:		
Appropriations Used	215,095	168,941
Royalties and Other Revenue Transfers	641,244	661,686
Budgetary Transfers In/Out Without Reimbursement	103,215	118,539
Donations and Other Non-Exchange Revenue	188	2,814
Other Financing Sources:		
Imputed Financing from Costs Absorbed by Others	244,807	123,937
Other Transfers In/Out Without Reimbursement	(52,665)	(69,456)
Donations of Property	56	42
Total Financing Sources	1,151,940	1,006,503
Net Cost of Operations	(796,887)	(789,958)
Ending Balance – Cumulative Results of Operations	<u>\$ 17,098,978</u>	<u>\$ 16,743,925</u>

The accompanying notes are an integral part of these statements.

**U.S. Department of the Interior
Bureau of Reclamation
Combined Statement of Budgetary Resources
For the Years Ended September 30, 2003 and 2002**

(In Thousands)	Budgetary		Non-Budgetary Credit Program Financing Account	
	2003	2002	2003	2002
BUDGETARY RESOURCES				
Budget Authority:				
Appropriations Received	\$ 1,008,690	\$ 950,384	\$ -	\$ -
Borrowing Authority	-	-	18,906	11,944
Net Transfers, Current Year Authority	5,903	251,590	-	-
Unobligated Balance:				
Beginning of Fiscal Year	516,990	314,048	7	-
Net Transfers, Unobligated Balance	498	2,230	-	-
Spending Authority from Offsetting Collections:				
Earned:				
Collected	729,638	707,943	(8,838)	(5,687)
Receivable from Federal Sources	(16,580)	(20,612)	-	-
Change in Unfilled Customer Orders:				
Advance Received	25,319	(9,236)	-	-
Without Advance from Federal Sources	(9,869)	6,624	-	-
Recoveries of Prior Year Obligations	35,982	51,073	137	195
Permanently Not Available	(32,451)	(6,869)	(713)	(642)
Total Budgetary Resources	\$ 2,264,120	\$ 2,247,175	\$ 9,499	\$ 5,810
STATUS OF BUDGETARY RESOURCES				
Obligations Incurred:				
Direct	\$ 978,171	\$ 1,025,951	\$ 9,499	\$ 5,803
Reimbursable	727,206	704,234	-	-
Total Obligations Incurred	1,705,377	1,730,185	9,499	5,803
Unobligated Balance:				
Apportioned	517,394	470,116	-	7
Exempt from Apportionment	41,349	46,874	-	-
Total Status of Budgetary Resources	\$ 2,264,120	\$ 2,247,175	\$ 9,499	\$ 5,810
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS				
Obligations Incurred	\$ 1,705,377	\$ 1,730,185	\$ 9,499	\$ 5,803
Obligated Balance, Net, Beginning of Fiscal Year	618,276	543,739	8,941	15,501
Obligated Balance, Net, End of Fiscal Year:				
Accounts Receivable	22,534	39,114	-	-
Unfilled Customer Orders from Federal Sources	28,366	38,235	-	-
Undelivered Orders	(422,060)	(432,867)	(8,051)	(8,941)
Accounts Payable	(256,226)	(262,758)	-	-
Less: Spending Authority Adjustments	(9,533)	(37,085)	(137)	(195)
Outlays:				
Disbursements	1,686,734	1,618,563	10,252	12,168
Less: Offsetting Collections	(754,957)	(698,707)	8,838	5,687
Net Outlays Before Offsetting Receipts	931,777	919,856	19,090	17,855
Less: Offsetting Receipts	(1,385,565)	(1,143,348)	-	-
Net Outlays	\$ (453,788)	\$ (223,492)	\$ 19,090	\$ 17,855

The accompanying notes are an integral part of these statements.

**U.S. Department of the Interior
Bureau of Reclamation
Consolidated Statement of Financing
For the Years Ended September 30, 2003 and 2002**

(In Thousand)	2003	2002
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 1,714,876	\$ 1,735,988
Less: Spending Authority from Offsetting Collections and Adjustments	(755,790)	(730,301)
Obligations Net of Offsetting Collections and Adjustments	959,086	1,005,687
Less: Offsetting Receipts	(1,385,565)	(1,143,348)
Net Obligations	(426,479)	(137,661)
Other Resources:		
Donations of Property	56	42
Other Transfers In/Out Without Reimbursement	(52,665)	(69,456)
Imputed Financing from Costs Absorbed by Others	244,807	123,937
Net Other Resources Used to Finance Activities	192,198	54,523
Total Resources Used to Finance Activities	(234,281)	(83,138)
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	51,216	(44,377)
Resources That Fund Expenses Recognized in Prior Periods	(394)	(29)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Offsetting Receipts Not Part of the Net Cost of Operations	1,013,486	741,980
Resources That Finance the Acquisition of Assets	(258,030)	(236,584)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	32,578	47,408
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	838,856	508,398
Total Resources Used to Finance the Net Cost of Operations	604,575	425,260
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase (Decrease) in Annual Leave Liability	888	(716)
Increase (Decrease) in Environmental Cleanup Cost Liability	363	-
Increase (Decrease) in Exchange Revenue Receivable from the Public	(5,880)	(514)
Increase (Decrease) in Other Unfunded Liabilities	(26,180)	141,971
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(30,809)	140,741
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	172,732	181,145
Revaluation of Assets	-	1,474
Components of Net Cost of Operations Related to Transfer Accounts Where Budgetary Activity Is Reported by Other Federal Entities (Note 14)	44,704	46,324
Other	5,685	(4,986)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	223,121	223,957
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	192,312	364,698
Net Cost of Operations	\$ 796,887	\$ 789,958

The accompanying notes are an integral part of these statements.

