

**INDIAN AFFAIRS**  
**DIRECTIVES TRANSMITTAL SHEET**

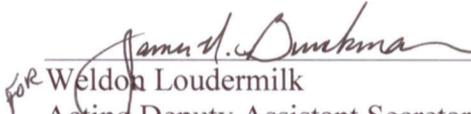
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**EXPLANATION OF MATERIAL TRANSMITTED:**

This chapter provides an overview of the Annual Assurance Statement process and documents IA's responsibilities in preparing its Annual Assurance Statement(s).

The Federal Managers' Financial Integrity Act (FMFIA) requires the head of each executive agency to prepare an annual statement on the adequacy of the systems of internal accounting and administrative controls. The Secretary of the Department of the Interior (Secretary) provides a "Statement of Assurance" to the President and to the Congress on the effectiveness of management controls within the Department, which is incorporated into the annual Agency Financial Report (AFR). The Secretary's statement is based upon assurance statements provided by bureau and office directors, through the respective assistant secretary.

  
for Weldon Loudermilk  
Acting Deputy Assistant Secretary – Indian Affairs  
(Management)

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**FILING INSTRUCTIONS:**

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11-40

**1.1 Purpose.** The purpose of this chapter is to provide an overview of the Annual Assurance Statement process and to document Indian Affairs' (IA) responsibilities in preparing its Annual Assurance Statement(s).

The Federal Managers' Financial Integrity Act (FMFIA) requires the head of each executive agency to prepare an annual statement on the adequacy of the systems of internal accounting and administrative controls. The Secretary of the Department of the Interior (DOI) provides a "Statement of Assurance" to the President and to the Congress on the effectiveness of management controls within the Department, which is incorporated into the annual Agency Financial Report (AFR). The Secretary's statement is based upon assurance statements provided by bureau and office directors, through the respective assistant secretary.

**1.2 Scope.** This policy applies to all IA headquarters, program, and field staff, and the operations and activities under the authority of the Assistant Secretary – Indian Affairs (AS-IA), the Bureau of Indian Affairs (BIA), and the Bureau of Indian Education (BIE).

**1.3 Policy.** It is the policy of IA to comply with the Department's Internal Control Program, including implementing appropriate and effective internal controls and conducting follow-up on internal control matters so that management can provide reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

**1.4 Authority.**

**A. Statutes and Regulations.**

- a. P.L. 97-255, Federal Managers' Financial Integrity Act of 1982 (FMFIA)

**B. Guidance.**

- a. Office of Management and Budget (OMB) Circular A-123, Revised (including Appendix A), Management's Responsibility for Internal Control
- b. 340 DM 1, Management Accountability and Control

**C. Handbooks.**

- a. Department of the Interior (DOI) Internal Control and Audit Follow-Up (ICAF) Handbook: [http://www.doi.gov/pfm/icafe/icafe\\_handbook/index.html](http://www.doi.gov/pfm/icafe/icafe_handbook/index.html).

**1.5 Responsibilities.** The following IA officials are responsible for the submission of Annual Assurance Statements:**A. Assistant Secretary – Indian Affairs** will provide assurance for overall IA programs and operations based on personal knowledge and on the information provided by the following:

- (1) **Deputy Assistants and all other offices reporting directly to the AS-IA** – will provide assurance statements regarding the effectiveness of management and financial controls within their areas of responsibility. Their statements should summarize the results of assurance statements provided to them from each office/program Director in their chain of command.
- (2) **Director, Bureau of Indian Affairs and Director, Bureau of Indian Education** – will provide assurance statements regarding the effectiveness of management and financial controls within their areas of responsibility. Their statements should summarize the results of assurance statements provided to them from each office/program Director in their chain of command, including Regional offices and Education Line Offices.
- (3) **Director, Office of Internal Evaluation and Assessment** – will provide relevant information on audits conducted by the Office of Inspector General (OIG) and the Government Accountability Office (GAO), and summary information about single audits conducted for tribes and tribal organizations which receive Federal financial assistance from IA. Additionally, OIEA provides technical assistance in preparing statements, and coordinates the statements for submission to the AS-IA and the Secretary.

**1.6 Reporting Requirements.** DOI's annual reporting process is a vertical flow of information. As explained in the DOI ICAF Handbook, 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 (a subset of the overall FMFIA assurance statement.) The bureaus'/offices' annual assurance statements form the basis for the Secretary's Statement.

IA's overall assurance statement should be addressed to the Secretary and sent through the AS-IA to the Department's Office of Financial Management (PFM). The DOI ICAF Handbook, Section 1, Chapter 6, provides more details on the specific annual assurance content for bureau submissions. The annual assurance process consists of the following:

**A. 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 Assistant Secretary to the Assistant Secretary – Policy, Management and Budget (PMB). Bureau assurance statements form the basis for the Secretary's Annual Assurance Statement.

**B. Statement of Assurance for Internal Control over Financial Reporting**

Management is required to provide a *separate* assurance over the effectiveness of the internal controls over financial reporting. This assurance 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 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.

**1.7 Basis for Assurance.** The statement of assurance represents the Secretary's informed judgment as to the overall adequacy and effectiveness of internal control within the agency. The statement must take one of the following forms:

- Unqualified statement of assurance (no material weaknesses or non-compliances with laws and regulations reported);
- Qualified statement of assurance, considering the exceptions explicitly noted (one or more material weaknesses or non-compliances with laws and regulations reported); or
- Statement of no assurance (no processes in place or pervasive material weaknesses).

In deciding on the type of assurance to provide, the agency head considers information from multiple sources including results of the assessments performed Department-wide, and of assessments made at the component, process, transaction, application, and other subordinate levels; input from senior program and administrative officials; and feedback from the OIG. The agency head must describe the analytical basis for the type of assurance being provided, and the extent to which agency activities were assessed. Agency management is precluded from concluding that the agency's internal controls are effective (unqualified statement of assurance) if there are one or more material weaknesses, or non-compliances with laws and regulations. The Department's statement of assurance must be signed by the Secretary.

The assurance statement should be accompanied by a summary of the Corrective Action Plans (CAPs) for the material weaknesses and system "non-conformances." The summaries should include a description of the material weaknesses, the status of corrective actions, and the timelines for completion.

**1.8 Format.** PFM provides an annual assurance statement template.

**1.9 Due Dates.** A generalized Department-wide calendar for each step of the internal control process is shown in Addendum A of the DOI ICAF Handbook. Annual updates to this schedule providing specific due dates are prepared by PFM and transmitted in a yearly guidance memorandum to assistant secretaries, heads of bureaus and offices, and internal control coordinators.