The Governmentwide Audit – Progress and Prospects

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Financial Report By The Numbers

151	FR Entities
$791.3 billion	Net Operating Cost
$3.1 trillion	Total Assets
$3.1 trillion	Taxes and Other Revenues
$4.3 trillion	Gross Costs
$20.8 trillion	Total Liabilities
$41.9 trillion	PV SOSI Net Expenditures

Financial Report By The Numbers

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Financial Report: Who should fix it?

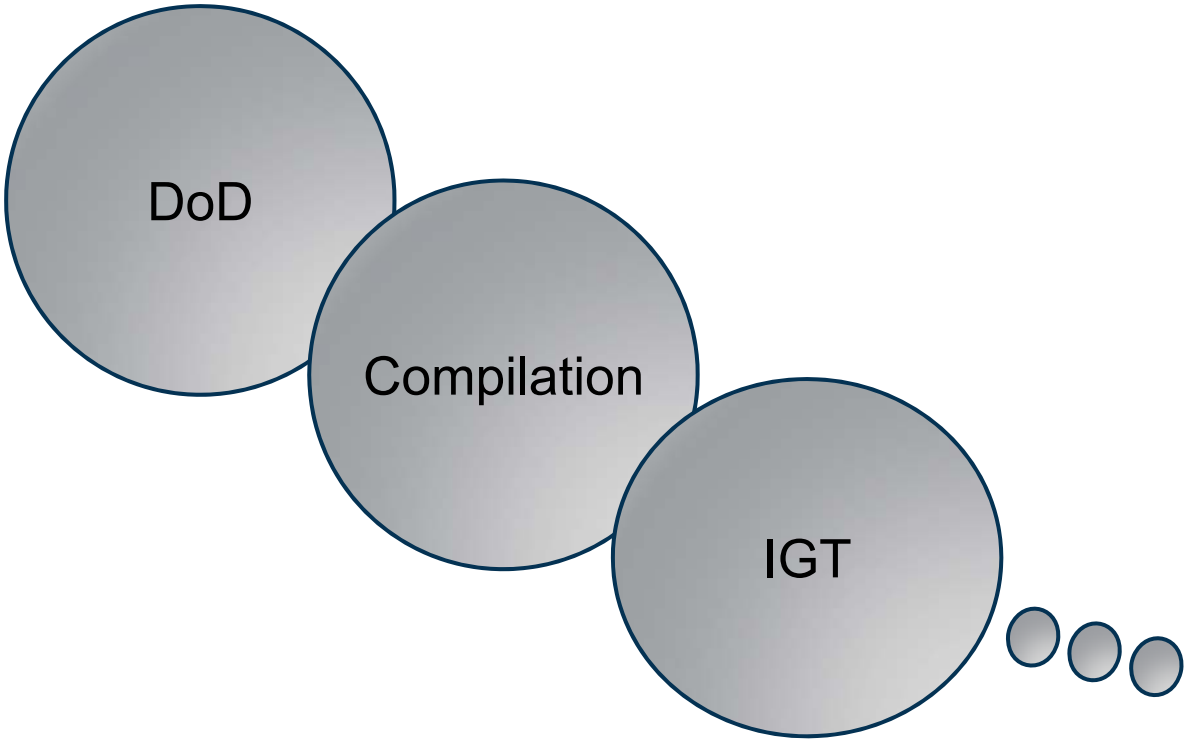
Who is responsible for resolving the Financial Report audit weaknesses?

- A. Treasury
- B. OMB
- C. Agencies
- D. All of the Above
- E. None of the Above

The Issue: A Disclaimer of Opinion

Since 1997, Treasury and the Office of Management and Budget have compiled agency financial data to prepare the consolidated Financial Report of the U.S. Government, and has consecutively received a disclaimer from GAO.

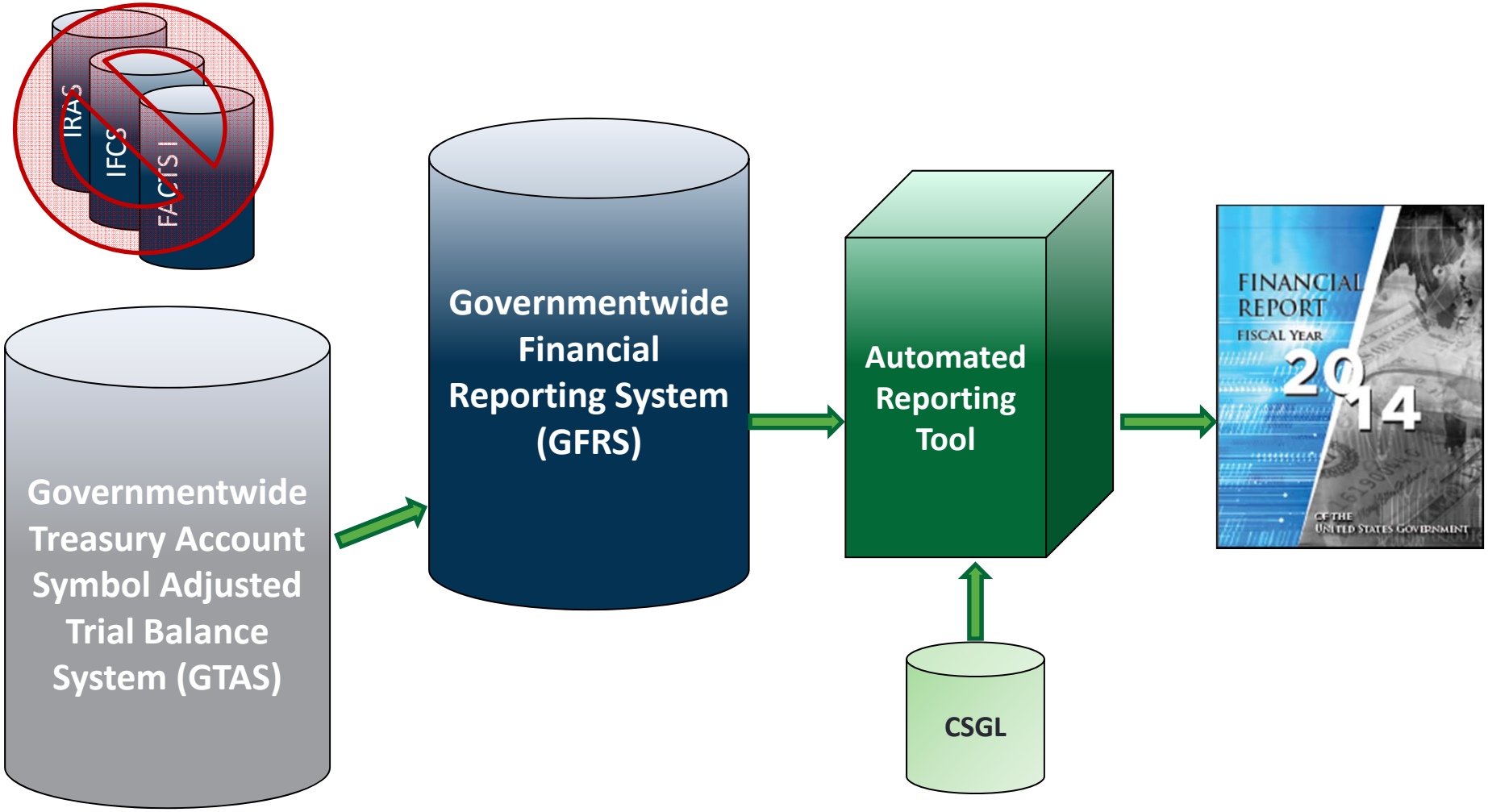
The Disclaimer: Three Primary Impediments



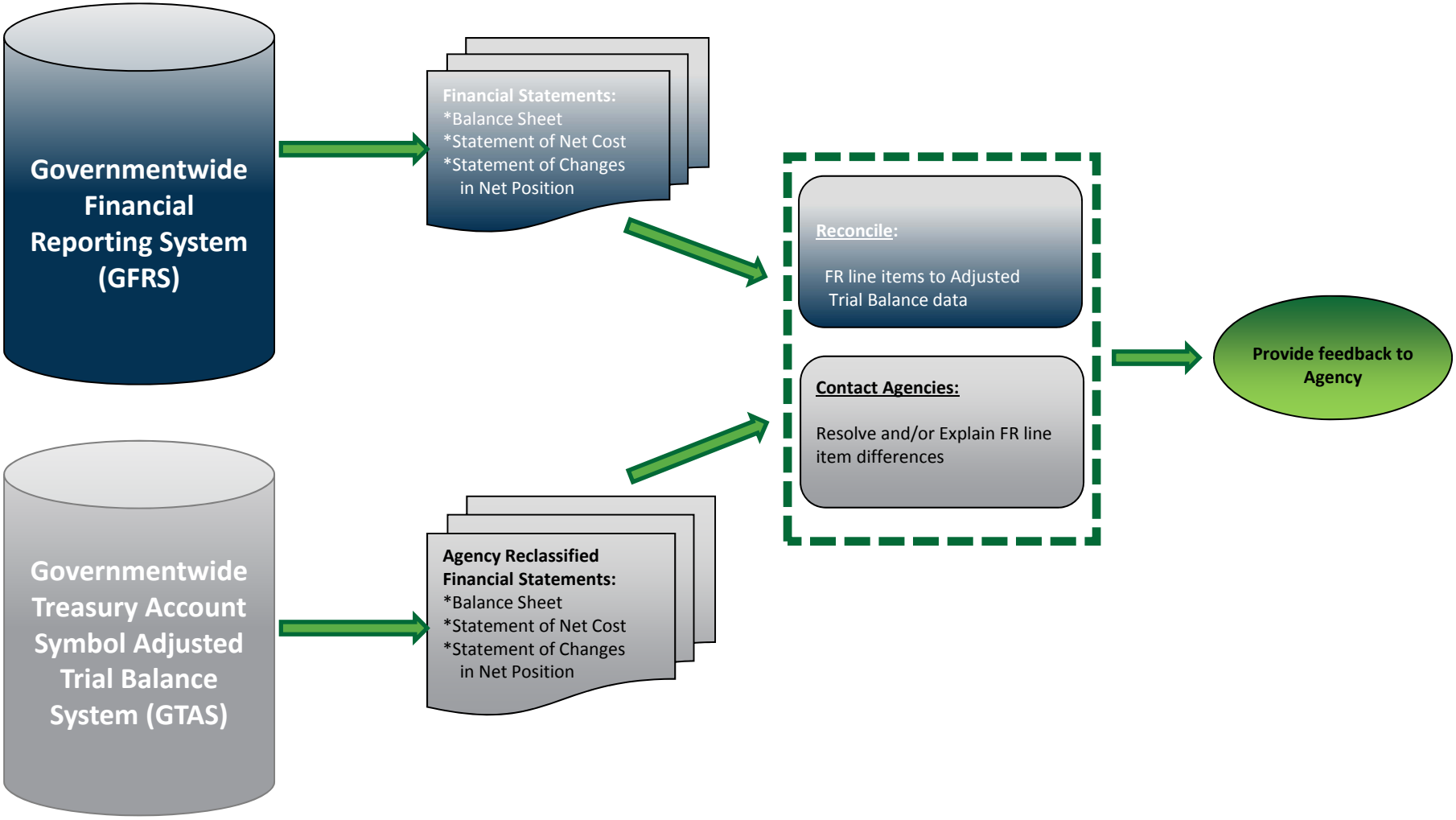
Progress: Preparation Material Weakness

- Preparation of the Financial Report
  - Reporting Entity
  - Significant Entities
  - Interim Reporting (3rd Quarter Analysis)
  - Accounting Policies
  - Narrative Verification
  - Journal Voucher Process

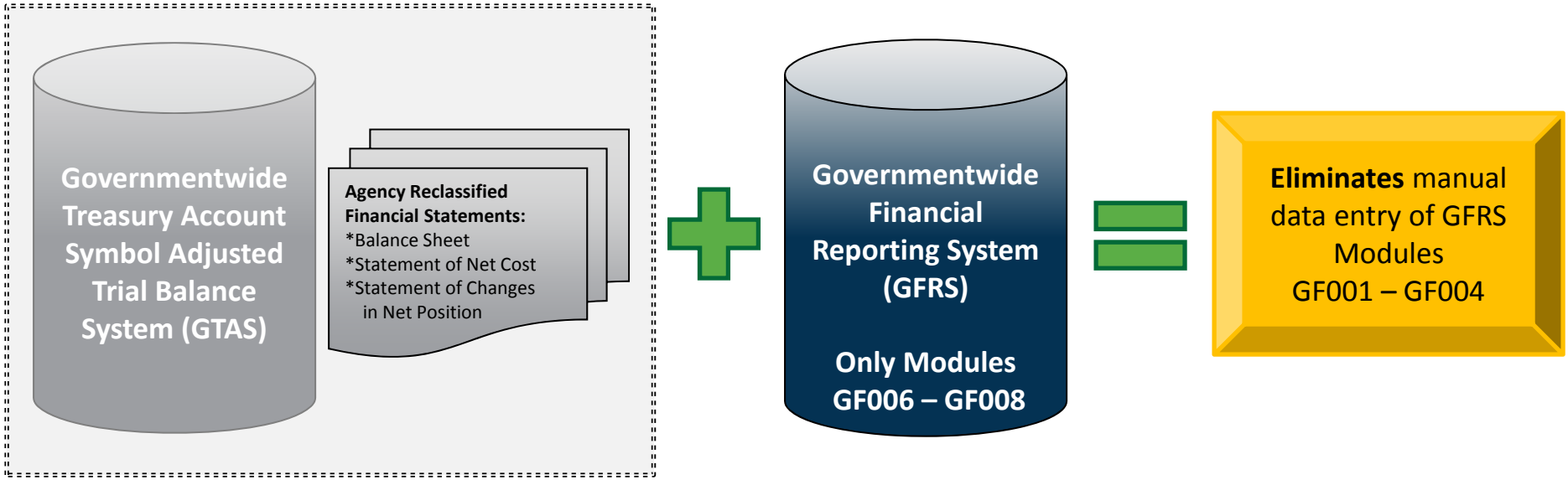
Progress: Preparation Material Weakness



Progress: Preparation Material Weakness



Plans: Preparation Material Weakness



Plans: Preparation Material Weakness

- Preparation of the Financial Report
  - Reporting Entity
  - Significant Entities
  - Journal Voucher Support
  - Legal Representation Letters
  - Treaties
  - Criminal Debt

Plans: Preparation Material Weakness

- Involvement of Key Federal Entity Personnel
  - Loans Receivable and Loan Guarantee Liabilities
  - Investments in Government-Sponsored Enterprises
  - Federal Debt Securities Held by the Public
  - Federal Employee and Veteran Benefits Payable
  - Contingencies
  - Commitments
  - Social Insurance
  - Deferred Maintenance and Repairs
  - Federal Oil and Gas Resources
  - Federal Natural Resources Other than Oil and Gas

Progress: Budget Deficit Material Weakness

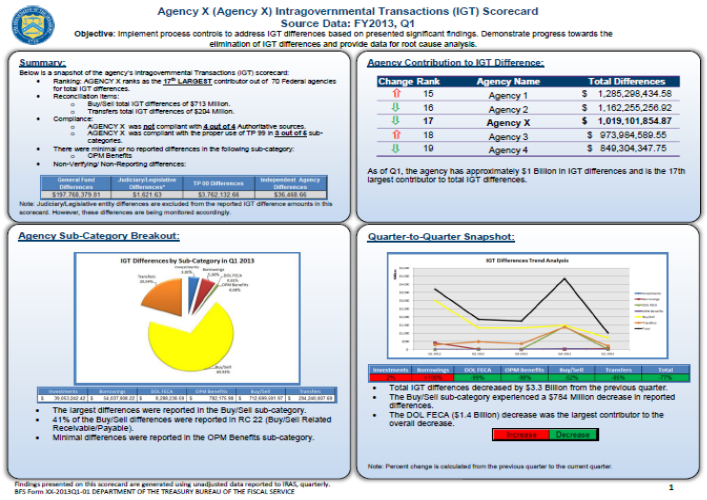
- Budget Statements
  - Central Summary General Ledger (CSGL) to Budget Statement line crosswalk
  - Reconcile <u>certain</u> outlays and receipts
  - Credit Reform Subsidy Re-estimates

Plans: Budget Deficit Material Weakness

- Budget Statements
  - Identify all reconciling items
  - Collect appropriate detail from agencies
  - Report all reconciling items
  - Tie to agency audited financial statements

Progress: Intragovernmental Material Weakness

- **Identified root causes and monitored agencies**
  - Intragovernmental (IGT) Metrics and Scorecards
  - Dispute Resolution process
  - CFO Sign-off (Material Difference Reports)
  - Closing Package IGT Scorecard Pilot in FY 2014



Agency X (Agency X) Intragovernmental Transactions (IGT) Scorecard
Source Data: FY2013, Q1

Objective: Implement process controls to address IGT differences based on presented significant findings. Demonstrate progress towards the elimination of IGT differences and provide data for root cause analysis.

Summary:

Below is a snapshot of the agency's Intragovernmental Transactions (IGT) scorecard:

- Ranking: AGENCY X ranks as the 17th LARGEST contributor out of 70 Federal agencies for total IGT differences.
- Reconciliation items:
  - Buy/Sell total IGT differences of $713 Million.
  - Transfers total IGT differences of $204 Million.
- Compliance:
  - AGENCY X was not compliant with 4 out of 6 Authoritative sources.
  - AGENCY X was compliant with the proper use of TP 99 in 3 out of 6 sub-categories.
- There were minimal or no reported differences in the following sub-category:
  - OPM Benefits
- Non-Verifying Non-Reporting differences:

General Fund Differences	Judiciary/Legislative Differences*	TP 99 Differences	Independent Agency Differences
$197,708,379.81	$1,621.63	$3,762,132.68	$39,468.66

Note: Judiciary/Legislative entity differences are excluded from the reported IGT difference amounts in this scorecard. However, these differences are being monitored accordingly.

Agency Contribution to IGT Difference:

Change	Rank	Agency Name	Total Differences
⇧	15	Agency 1	$ 1,285,208,434.58
⇩	16	Agency 2	$ 1,162,255,256.92
⇩	17	**Agency X**	**$ 1,019,101,854.87**
⇧	18	Agency 3	$ 973,984,589.55
⇩	19	Agency 4	$ 849,304,347.75

As of Q1, the agency has approximately $1 Billion in IGT differences and is the 17th largest contributor to total IGT differences.

Agency Sub-Category Breakout:

IGT Differences by Sub-Category in Q1 2013

Investments	Borrowings	DOL FECA	OPM Benefits	Buy/Sell	Transfers	Total
$ 39,653,242.42	$ 64,837,808.22	$ 4,280,236.69	$ 780,175.98	$ 712,690,691.97	$ 204,240,807.69	

- The largest differences were reported in the Buy/Sell sub-category.
- 41% of the Buy/Sell differences were reported in RC 22 (Buy/Sell Related Receivable/Payable).
- Minimal differences were reported in the OPM Benefits sub-category.

Quarter-to-Quarter Snapshot:

IGT Differences Trend Analysis

Investments	Borrowings	DOL FECA	OPM Benefits	Buy/Sell	Transfers	Total
Decrease	Decrease	Decrease	Increase	Decrease	Increase	Decrease

- Total IGT differences decreased by $3.3 Billion from the previous quarter.
- The Buy/Sell sub-category experienced a $784 Million decrease in reported differences.
- The DOL FECA ($1.4 Billion) decrease was the largest contributor to the overall decrease.

Increase | Decrease

Note: Percent change is calculated from the previous quarter to the current quarter.

Findings presented on this scorecard are generated using unadjusted data reported to IRAS, quarterly.
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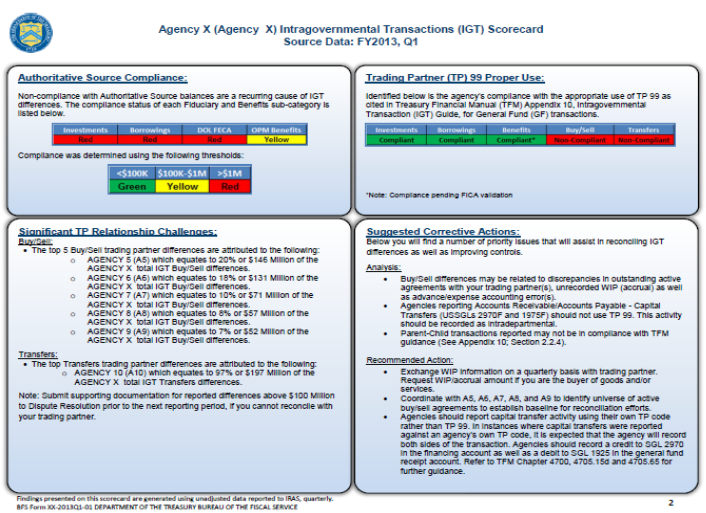

Agency X (Agency X) Intragovernmental Transactions (IGT) Scorecard
Source Data: FY2013, Q1

Authoritative Source Compliance:

Non-compliance with Authoritative Source balances are a recurring cause of IGT differences. The compliance status of each Fiduciary and Benefits sub-category is listed below.

Investments	Borrowings	DOL FECA	OPM Benefits
Red	Red	Red	Yellow

Compliance was determined using the following thresholds:

<$100K	$100K-$1M	>$1M
Green	Yellow	Red

Trading Partner (TP) 99 Proper Use:

Identified below is the agency's compliance with the appropriate use of TP 99 as cited in Treasury Financial Manual (TFM) Appendix 10, Intragovernmental Transaction (IGT) Guide, for General Fund (GF) transactions.

Investments	Borrowings	Benefits	Buy/Sell	Transfers
Compliant	Compliant	Compliant*	Non-Compliant	Non-Compliant

*Note: Compliance pending FICA validation

Significant TP Relationship Challenges:

Buy/Sell:

- The top 5 Buy/Sell trading partner differences are attributed to the following:
  - AGENCY 5 (A5) which equates to 20% or $146 Million of the AGENCY X total IGT Buy/Sell differences.
  - AGENCY 6 (A6) which equates to 18% or $131 Million of the AGENCY X total IGT Buy/Sell differences.
  - AGENCY 7 (A7) which equates to 10% or $71 Million of the AGENCY X total IGT Buy/Sell differences.
  - AGENCY 8 (A8) which equates to 8% or $57 Million of the AGENCY X total IGT Buy/Sell differences.
  - AGENCY 9 (A9) which equates to 7% or $52 Million of the AGENCY X total IGT Buy/Sell differences.

Transfers:

- The top Transfers trading partner differences are attributed to the following:
  - AGENCY 10 (A10) which equates to 97% or $197 Million of the AGENCY X total IGT Transfers differences.

Note: Submit supporting documentation for reported differences above $100 Million to Dispute Resolution prior to the next reporting period, if you cannot reconcile with your trading partner.

Suggested Corrective Actions:

Below you will find a number of priority issues that will assist in reconciling IGT differences as well as improving controls.

Analysis:

- Buy/Sell differences may be related to discrepancies in outstanding active agreements with your trading partner(s), unrecorded WIP (accrual) as well as advance/expense accounting error(s).
- Agencies reporting Accounts Receivable/Accounts Payable - Capital Transfers (USSGLs 2970F and 1975F) should not use TP 99. This activity should be recorded as intradepartmental.
- Parent-Child transactions reported may not be in compliance with TFM guidance (See Appendix 10, Section 2.2.4).

Recommended Action:

- Exchange WIP information on a quarterly basis with trading partner. Request WIP/accrual amount if you are the buyer of goods and/or services.
- Coordinate with A5, A6, A7, A8, and A9 to identify universe of active buy/sell agreements to establish baseline for reconciliation efforts.
- Agencies should report capital transfer activity using their own TP code rather than TP 99. In instances where capital transfers were reported against an agency's own TP code, it is expected that the agency will record both sides of the transaction. Agencies should record a credit to SGL 2970 in the financing account as well as a debit to SGL 1925 in the general fund receipt account. Refer to TFM Chapter 4700, 4705.15d and 4705.65 for further guidance.

Findings presented on this scorecard are generated using unadjusted data reported to IRAS, quarterly.
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Progress: Intragovernmental Material Weakness

- General Fund
  - ATB file in GTAS on a monthly basis
  - Published General Fund Reciprocal Categories (RC)
  - Issued quarterly General Fund IGT Scorecard
  - Incorporated General Fund RCs in agency IGT Scorecards
  - Limited General Fund trading partner usage
  - Monitored valid use of the General Fund as a Trading Partner

Plans: Intragovernmental Material Weakness

- FY 2015 Requirements:
  - TFM 2-4700 Root Cause and Corrective Action Plan requirements
  - IGT Metrics and Scorecards
  - CFO Sign-off (Material Difference Reports)
  - Assertion over GFRS Module GF004 Trading Partner Note
  - Monitor Corrective Action Plan implementation

Plans: Intragovernmental Material Weakness

- General Fund
  - Complete and finalize the General Fund general ledger
  - Focus additional resources to assist with agency reconciliations
  - Subject the General Fund to additional IGT controls and assertions
  - Complete an audit on the General Fund balances
  - Reduce USSGLs in RC 29

Plans: Intragovernmental Material Weakness

Fiscal Year 2016 and beyond…

- Long Term Plans
  - IGT Scorecards available to the Financial Management Community
  - Reciprocal Category for Interest Receivable/Payable (RC 02)
  - Deposit Funds
  - Judgment Fund
  - Capitalized Assets

How you can help…

- Audit coverage for all significant entities
- Limit the use of “unable to determine” for legal cases
- Involve key federal entity personnel
- Breakout credit reform
- Report receipt and outlays data in Other Data Note 15 in GFRS for all entities
- Monitor IGT Root causes and CAPs

How your auditors can help…

- Ensure completeness of the Closing Package
- Support proper reclassification to appropriate lines, per USSGL, in GFRS Module GF003
- Compare GFRS Closing Package to GTAS data
- Audit scrutiny over intragovernmental balances at the agencies
  - Quarterly and Closing Package IGT Scorecards
  - GFRS Module GF004

Contact Information

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