



Actions and Progress Towards Auditability of the US Financial Report

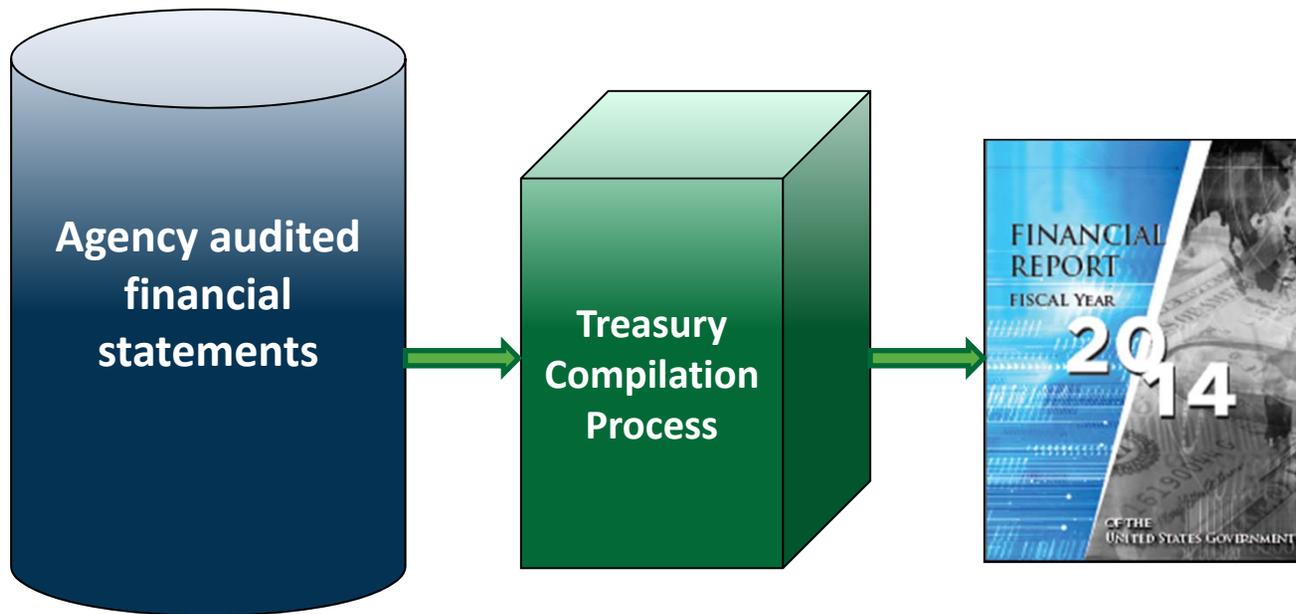
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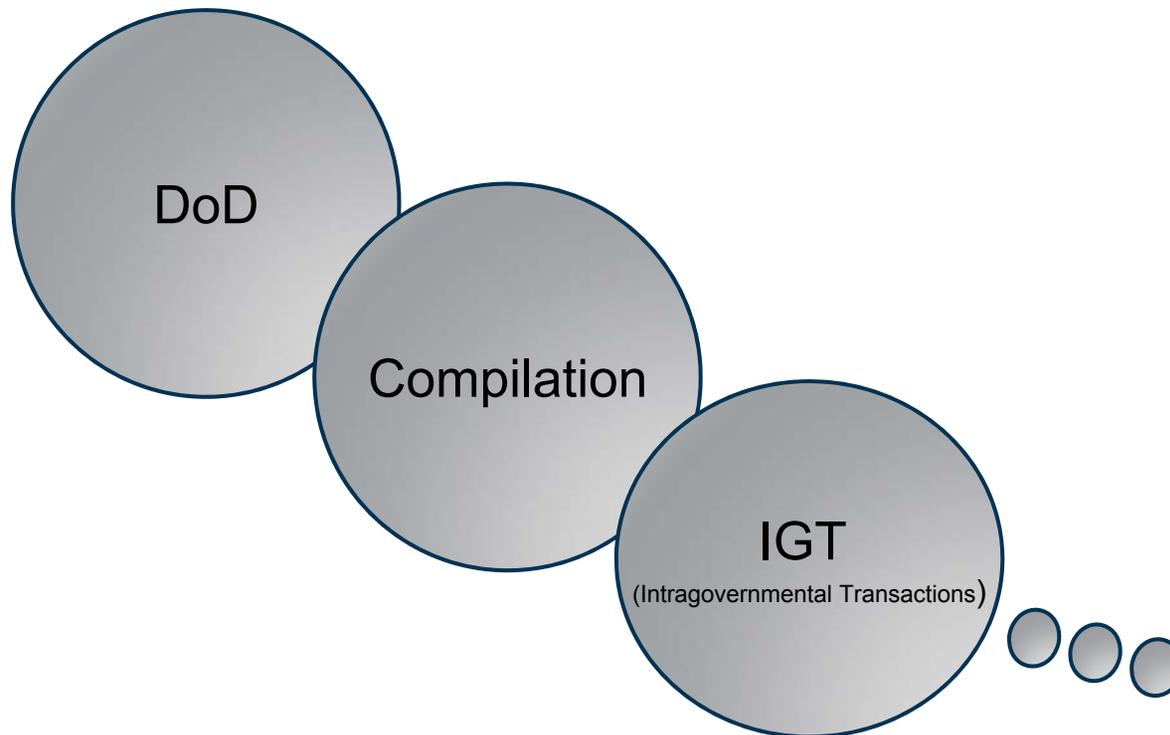
The Issue: A Disclaimer of Opinion

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, which has received a disclaimer of opinion from GAO each year.

The Preparation: Agency Audited Statements



The Disclaimer: Three Primary Impediments



Department of Defense Impediment

- Property, Plant, and Equipment and Inventories and Related Property
- Liabilities and Commitments and Contingencies
- Cost of Government Operations and Disbursement Activity

Compilation Impediment

- **Preparation** of Consolidated Financial Statements
- Reconciliations of **Budget Deficit** to Net Operating Cost and Changes in Cash Balance

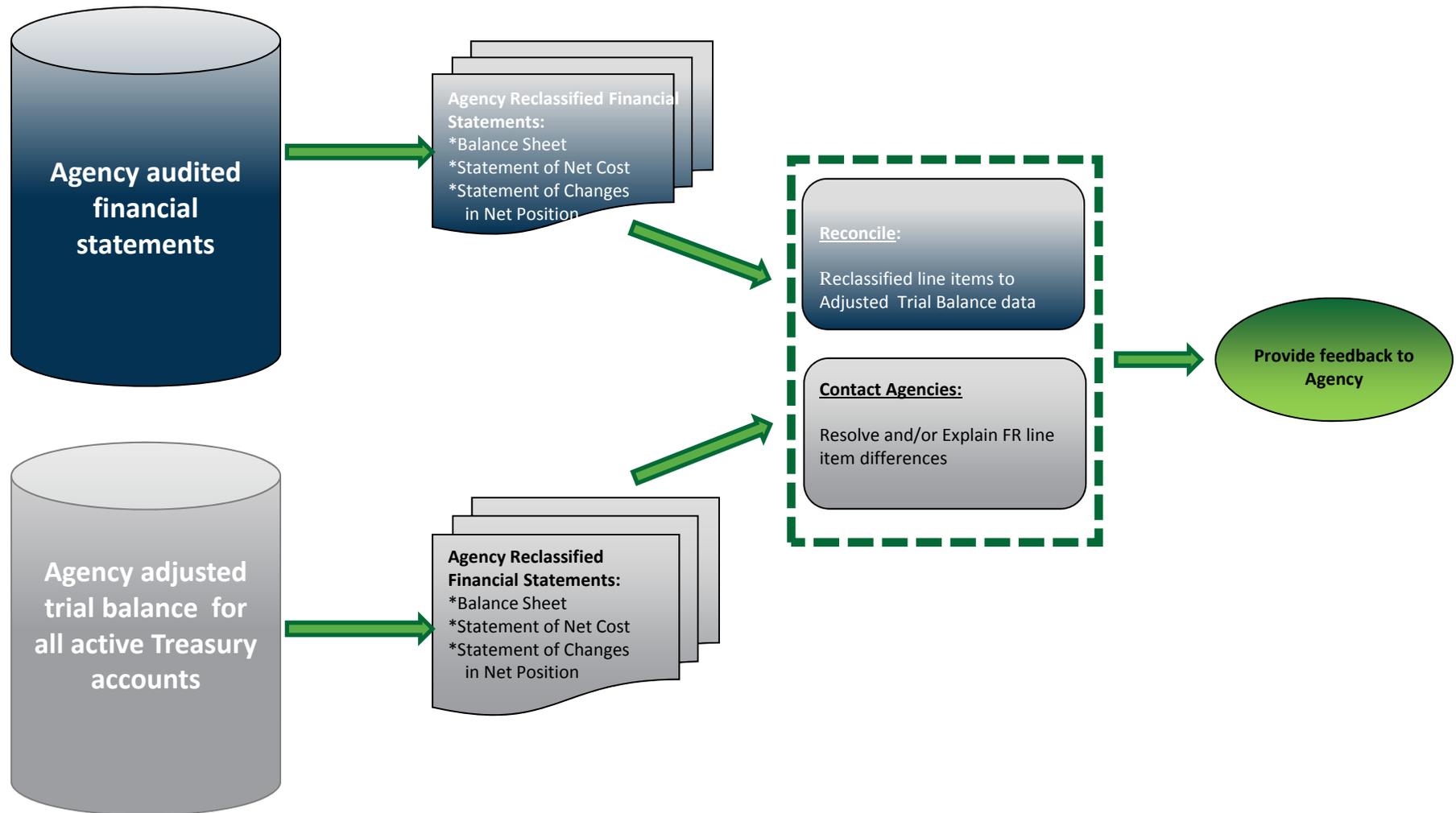
Intragovernmental Impediment

- Accounting for and Reconciliation of Intragovernmental Activity and Balances

Progress: Preparation Material Weakness

- Preparation of the Financial Report
 - Reporting Entity
 - Significant Entities
 - Interim Reporting (3rd Quarter Analysis)

Plans: Preparation Material Weakness



Plans: Preparation Material Weakness

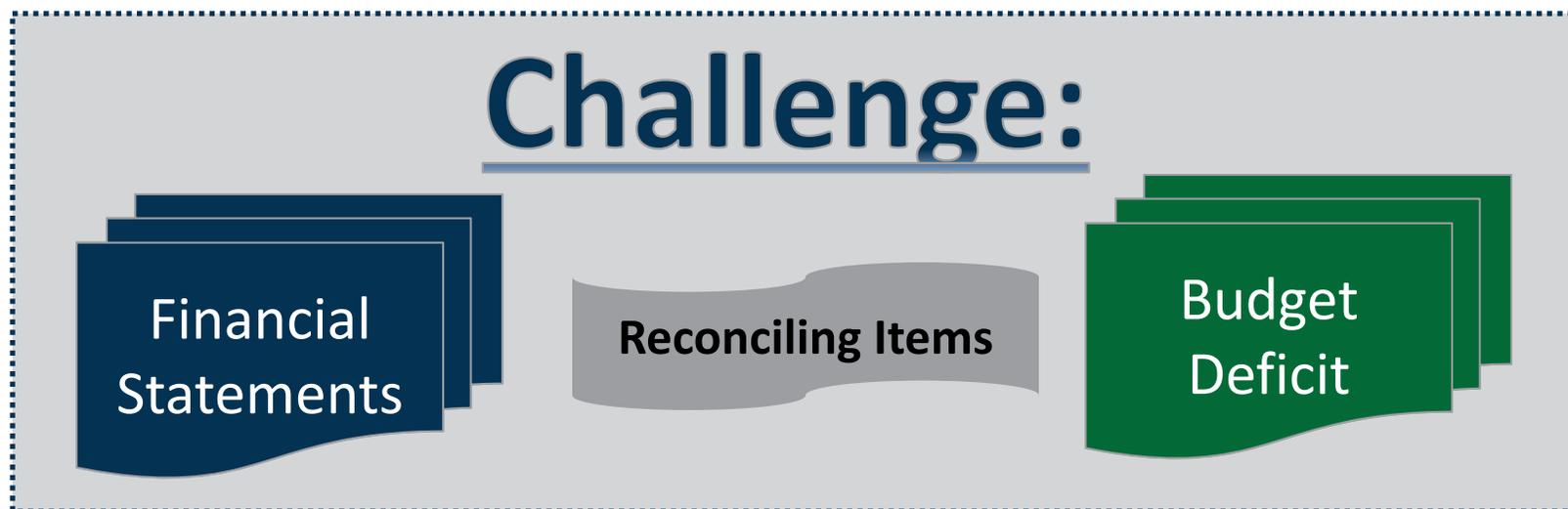
- Preparation of the Financial Report
 - Legal Representation Letters
 - Treaties
 - Criminal Debt

Progress: Budget Deficit Material Weakness

- Budget Statements
 - Implemented a General Fund general ledger
 - Built a crosswalk from the general ledger to the Budget Statement lines
 - Reconcile certain outlays and receipts

Plans: Budget Deficit Material Weakness

- Budget Statements
 - Obtain audit assurance of the General Fund
 - Collect appropriate detail from agencies
 - Identify and 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
 - CFO Sign-off

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 **TOP 10** contributor out of 76 Federal agencies for total IGT differences.
 • Reconciliation Item:
 ◦ Buy/Sell total IGT differences of \$713 Million.
 ◦ Transfers total IGT differences of \$224 Million.
 • Compliance:
 ◦ AGENCY X was not compliant with **6 out of 6** Authoritative sources.
 ◦ AGENCY X was compliant with the proper use of TP 99 in **3 out of 3** sub-categories.
 • There were **zero** or no reported differences in the following sub-category:
 ◦ OPM Benefits.
 • Non-Verifying/Non-Reporting differences:
 ◦ OPM Benefits.

General Fund	Authoritative Legislation	TP 99 Differences	Intragovernmental Agency Differences
\$177,769,179.31	\$121.43	\$170,112.48	\$36,488.05

Note: Authoritative legislation 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	\$ 1,285,295,434.55
16	Agency 2	\$ 1,182,255,256.92
17	Agency X	\$ 1,019,101,854.87
18	Agency 3	\$ 973,684,589.55
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:

Quarter-to-Quarter Snapshot:

Findings presented on this scorecard are generated using unadjusted data reported to ISAC, quarterly, BPS Form 100-2013Q1-01 DEPARTMENT OF THE TREASURY BUREAU OF THE FISCAL SERVICE.

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

Buy/Sell:

- The top 5 Buy/Sell trading partner differences are attributed to the following:
 - AGENCY 5 (A5) which equates to 20% or \$148 Million of the AGENCY X total IGT Buy/Sell differences.
 - AGENCY 7 (A7) which equates to 15% or \$131 Million of the AGENCY X total IGT Buy/Sell differences.
 - AGENCY 1 (A1) which equates to 10% or \$71 Million of the AGENCY X total IGT Buy/Sell differences.
 - AGENCY 6 (A6) 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 5 Transfers trading partner differences are attributed to the following:
 - AGENCY 10 (A10) which equates to 37% 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 errors).
- Agencies reporting Accounts Receivable/Accounts Payable - Capital Transfers (USGLs 2970F and 1279F) should not use TP 99. This activity should be recorded as intragovernmental.
- 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 USGL 2970 in the financing account as well as a debit to USGL 1925 in the general fund receipt account. Refer to TFM Chapter 4700, 4705, 15d and 4705.65 for further guidance.

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Progress: Intragovernmental Material Weakness

- General Fund
 - Reported on a monthly basis
 - Issued quarterly General Fund IGT Scorecard
 - Incorporated General Fund differences 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:
 - Root Cause and Corrective Action Plan requirements
 - Monitor Corrective Action Plan implementation
- 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

Remediation Plan

- Remediation Plan
 - Scope Limitations
 - Timeline to address impediments
 - Detailed Projects Plans
- Dashboard for Senior Level Management
- Auditability for FY 2017

Contact Information

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