

July 1995

**Civil Financial Audits  
Issue Area**

**Active Assignments**

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# Foreword

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This report was prepared primarily to inform Congressional members and key staff of ongoing assignments in the General Accounting Office's Civil Financial Audits issue area. This report contains assignments that were ongoing as of July 6, 1995, and presents a brief background statement and a list of key questions to be answered on each assignment. The report will be issued quarterly.

This report was compiled from information available in GAO's internal management information systems. Because the information was downloaded from computerized data bases intended for internal use, some information may appear in abbreviated form.

If you have questions or would like additional information about assignments listed, please contact Gregory Holloway, Director, on (202) 512-9510; or Lisa Jacobson, Associate Director, on (202) 512-9508.

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## *Civil Financial Audits*

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### **CFO LEADERSHIP**

**TITLE: EFFECTIVENESS OF IMPLEMENTATION OF THE CHIEF FINANCIAL OFFICER'S ACT OF 1990 AT THE DEPARTMENT OF THE TREASURY (901664)**

**BACKGROUND :** Several broadbased financial management improvements initiatives are underway throughout the federal government, including implementation of the CFO Act and the Government Management Reform Act of 1994 (GMRA), many NPR recommendations, actions related to high-risk areas, and special areas of congressional interest. Treasury has several bureaus/programs that are pilots under the Government Performance and Results Act of 1993 (GPRA). Further, Treasury and OMB are working together to develop governmentwide financial stat

**KEY QUESTIONS :** 1) Is Treasury developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? 2) Is Treasury responding to the NPR recommendations and high-risk issues that pertain to its financial management operations? 3) Is Treasury adequately preparing for issuance of governmentwide consolidated financial statements and implementation of GPRA?

**TITLE: EFFECTIVENESS OF IMPLEMENTATION OF THE CHIEF FINANCIAL OFFICER'S ACT OF 1990 AT THE DEPARTMENT OF JUSTICE (901667)**

**BACKGROUND :** Several broad financial management improvement initiatives are underway throughout the federal government such as the implementation of the CFO Act, consideration of NPR recommendations, actions related to high-risk areas, and special areas of congressional interest. DOJ has several programs that are pilots under GPRA.

**KEY QUESTIONS :** 1) Is Justice developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? 2) Is Justice responding to the NPR recommendations and high-risk issues that pertain to its financial management operations? 3) Is Justice adequately preparing for issuance of government-wide consolidated financial statements and implementation of GPRA requirements?

**TITLE: EFFECTIVENESS OF IMPLEMENTATION OF THE CHIEF FINANCIAL OFFICER'S ACT OF 1990 AT THE OFFICE OF PERSONNEL MANAGEMENT (901669)**

**BACKGROUND :** Several broad financial management improvement initiatives are underway throughout the federal government such as the implementation of the CFO Act, consideration of NPR recommendations, actions related to high-risk areas, and special areas of congressional interest.

**KEY QUESTIONS :** 1) Is OPM developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? 2) Is OPM responding to the NPR recommendations and high-risk issues that pertain to its financial management operations? 3) Is OPM adequately preparing for issuance of government-wide consolidated financial statements?

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### **CFO LEADERSHIP**

**TITLE: EFFECTIVENESS OF IMPLEMENTATION OF THE CHIEF FINANCIAL OFFICER'S ACT OF 1990 AT THE DEPARTMENT OF COMMERCE (901670)**

**BACKGROUND :** Several broadbased financial management improvement initiatives are underway throughout the federal government, including implementation of the CFO Act, many NPR recommendations, actions related to high-risk areas, and special areas of congressional interest. This job is also to support efforts planned or underway by GGD, such as general management and GPRA reviews.

**KEY QUESTIONS :** 1) Is Commerce developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? 2) Is Commerce responding to the NPR recommendations and high-risk issues that pertain to its financial management operations? 3) Is Commerce adequately preparing for issuance of consolidated financial statements and implementation of GPRA?

**TITLE: EFFECTIVENESS OF IMPLEMENTATION OF THE CHIEF FINANCIAL OFFICER'S ACT OF 1990 AT THE DEPARTMENT OF INTERIOR (913713)**

**BACKGROUND :** Several broadbased financial management improvement initiatives are underway throughout the federal government, including implementation of the CFO Act and the Government Management Reform Act (S. 2170), many NPR recommendations, actions related to high-risk areas, general management and GPRA reviews, and special areas of congressional interest.

**KEY QUESTIONS :** 1) Is Interior developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? 2) How is Interior responding to the NPR recommendations and high-risk issues that pertain to its financial mgmt operations? 3) Are financial audits adequate to support the consolidated financial statement audits of the U. S. Government?

**TITLE: CFO IMPLEMENTATION AT DEPARTMENT OF EDUCATION (913717)**

**BACKGROUND :** Currently only three entities within the Department of Education (ED) are audited. ED is in the process of preparing its first Department-wide principal financial statements. The OIG does not currently have sufficient staff to perform the agency-wide audit. The agencies general ledger system can not produce complete, accurate and timely financial statements.

**KEY QUESTIONS :** (1) Is Education (ED) developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? (2) Is ED responding to the NPR recommendations and high-risk issues that pertain to its financial management operations? (3) Is ED adequately preparing for issuance of governmentwide consolidated financial statements?

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### **CFO LEADERSHIP**

**TITLE: CFO IMPLEMENTATION AT THE DEPARTMENT OF LABOR (913718)**

**BACKGROUND :** DOL was a pilot audit agency and has performed agency financial audits since 1989. DOL's consolidated FY '93 financial statements were qualified--auditor's were unable to audit unemployment and coal tax revenues and related receivables. The IG expressed concern that interest earned by the Unemployment Trust Fund could be maximized and the OCFO organization could be stronger.

**KEY QUESTIONS :** (1) Is Labor (DOL) developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? (2) Is DOL responding to the NPR recommendations and high-risk issues that pertain to its financial management operations? (3) Is DOL adequately preparing for issuance of government-wide consolidated financial statements?

**TITLE: CFO ACT IMPLEMENTATION THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (913723)**

**BACKGROUND :** The HHS OIG expressed a disclaimer opinion on the FY93 balance sheet of HCFA. HCFA outlays represent 85% of HHS' outlays and 16% of total federal outlays. Other CFO audits completed amounted to 1% of HHS outlays and also resulted in disclaimer opinions. The OIG has expressed concern over their ability to complete the consolidated HHS financial statement audit by 1997.

**KEY QUESTIONS :** 1) Is HHS developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? 2) Is HHS responding to the NPR recommendations and high-risk issues that pertain to its financial management operations? 3) Is HHS adequately preparing for issuance of government-wide consolidated financial statements?

**TITLE: CFO IMPLEMENTATION AT THE SOCIAL SECURITY ADMINISTRATION (913724)**

**BACKGROUND :** Although designated a pilot agency by the CFO Act, SSA has prepared, and HHS' Office of Inspector General has audited the Administration's consolidated financial statements since 1987. Recently, SSA received an unqualified opinion on its consolidated financial statements which disclose expenditures that account for 23% of the federal government's total expenditures.

**KEY QUESTIONS :** (1) Is SSA developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? (2) Is SSA responding to the NPR recommendations and high-risk issues that pertain to its financial management operations? (3) Is SSA adequately preparing for issuance of government-wide consolidated financial statements?

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### **CFO LEADERSHIP**

**TITLE: HRA 14: CFO ACT IMPLEMENTATION AT THE DEPARTMENT OF ENERGY (913725)**

**BACKGROUND :** Concerns have been raised about DOE's ability to develop and implement sound financial management systems and procedures and meet CFO Act requirements. DOE has an annual budget of about \$26 billion and assets estimated at \$106 billion. Also, contractors control a large portion of DOE's expenditures and assets. DOE contract management has been designated a high risk area.

**KEY QUESTIONS :** (1) Is DOE developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? (2) Is DOE responding to the NPR recommendations and high-risk issues that pertain to its financial management operations? (3) Is DOE adequately preparing for issuance of government-wide consolidated financial statement?

**TITLE: EFFECTIVENESS OF IMPLEMENTATION OF THE CHIEF FINANCIAL OFFICERS ACT OF 1990 AT THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) (913726)**

**BACKGROUND :** HUD has many longstanding problems that hamper its effectiveness. These problems include weak internal controls and inadequate information and financial management systems and are so widespread that the entire department was designated as a GAO "high-risk area." HUD has an annual budget of about \$34 billion and assets of \$112.9 billion.

**KEY QUESTIONS :** (1) Is HUD developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? (2) Is HUD responding to the NPR recommendations and high-risk issues that pertain to its financial management operations? (3) Is HUD adequately preparing for issuance of government-wide consolidated financial statements?

**TITLE: EFFECTIVENESS OF IMPLEMENTATION OF THE CHIEF FINANCIAL OFFICER'S ACT OF 1990 AT INDEPENDENT AGENCIES (913727)**

**BACKGROUND :** Several broadbased financial management improvement initiatives are underway throughout the federal government, including implementation of the CFO Act and the Government Management Reform Act (S. 2170), many NPR recommendations, actions related to high-risk areas, general management and GPRA reviews, and special areas of congressional interest.

**KEY QUESTIONS :** 1) Are the independent agencies and VA developing the sys, organization, and fin reporting and auditing capabilities required by the CFO Act? 2) How are they responding to NPR recommendations and high-risk issues that pertain to their fin mgmt operations? 3) Are fin audits adequate to support the consolidated fin statement audits of the U. S. Government?

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### **CFO LEADERSHIP**

**TITLE: CFO ACT IMPLEMENTATION AT FEDERAL AGENCIES (913730)**

**BACKGROUND :** The CFO Act of 1990, as amended by the Government Management Reform Act, requires Federal agencies' to establish a CFO organization and to issue audited financial statements. Although progress has been made, many agencies' still do not have the basic foundation in place to ensure accountability and effective implementation of agency-wide financial statements.

**KEY QUESTIONS :** 1) Are the Federal agencies' developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? 2) Are they adequately preparing for issuance of consolidated financial statements? 3) What needs to be done to ensure continuing progress in improving financial management at the agencies?

### **FINANCIAL AUDITS**

**TITLE: FINANCIAL AUDIT OF THE INTERNAL REVENUE SERVICE FOR FISCAL YEAR 1994 (901662)**

**BACKGROUND :** Under the CFO Act of 1990, IRS is required to prepare financial statements for fiscal year 1994. This is the third year GAO will perform the audit of IRS' financial statements.

**KEY QUESTIONS :** 1) Are the financial management and internal controls effective? 2) Are the financial statements reliable, free of misstatements, and presented in conformity with applicable accounting principles? 3) Is IRS in compliance with laws and regulations? 4) Are IRS financial systems adequate to effectively implement GPRA requirements?

**TITLE: FINANCIAL AUDIT OF THE INTERNAL REVENUE SERVICE FOR FISCAL YEAR 1995 (901671)**

**BACKGROUND :** Under the CFO Act of 1990, IRS is required to prepare financial statements for fiscal year 1995. This is the fourth year in which GAO will perform the audit of IRS' financial statements.

**KEY QUESTIONS :** 1) Are the financial management and internal controls effective? 2) Are the financial statements reliable, free of misstatements, and presented in conformity with applicable accounting principles? 3) Is IRS in compliance with laws and regulations?

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### FINANCIAL AUDITS

**TITLE: CFO IMPLEMENTATION OF THE DEPARTMENT OF AGRICULTURE (913715)**

**BACKGROUND :** USDA is currently undergoing a major reorganization where some or all of the agencies' financial functions will be significantly revised. Concerns have been raised about the organization and authority of the Office of the CFO over USDA's strategy and ensuring the revised financial accounting and information system goals will be accomplished.

**KEY QUESTIONS :** (1) Is USDA developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? (2) Are financial audits adequate to support the consolidated financial statements audit of the U.S. government? (3) Are actions being taken to resolve high-risk and FMFLA issues and to implement NPR recommendations?

**TITLE: RECONCILIATION OF TOTAL DEBT AND DEBT SERVICE REQUIREMENTS FOR THE DENVER INTERNATIONAL AIRPORT (913720)**

**BACKGROUND :** In an October 11, 1994, letter to GAO, Senator Hank Brown raised questions about differences in the Denver Airport System's total debt as reported in the audited 1993 financial statements and total debt as shown in financial projections made by the airport's consultant. The financial statements included about \$100 million more than the amount shown in the projections.

**KEY QUESTIONS :** What factors account for the difference in total debt and debt service requirements reported in the Denver Airport System's 1993 audited financial statements and total debt shown in the financial projections made by the airport's consultant?

**TITLE: FOLLOW ON REVIEW: CASH FLOW ANALYSIS FOR THE DENVER INTERNATIONAL AIRPORT SYSTEM (913721)**

**BACKGROUND :** Senator Hank Brown sent a May 5, 1994, letter asking GAO to perform a two-part review of the impact of delays in opening Denver International Airport (DIA). GAO responded to the first part of the request with a briefing and report. The second part of the request asks GAO to review several financial issues at DIA "shortly after the new airport opens".

**KEY QUESTIONS :** (1) What are DIA's projected cash flows for the years 1995 through 2004? (2) What is the current financial status of the DIA project, including fund balances, debt service, and expenditures? (3) To what extent does SEC regulation S-X apply to the disclosure of key financial data in the Airport System's Official Statement for the 1994A Bond Issue?

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### FINANCIAL AUDITS

**TITLE: EFFECTIVENESS OF IMPLEMENTATION OF THE CHIEF FINANCIAL OFFICIAL ACT OF 1990 AT THE ENVIRONMENTAL PROTECTION AGENCY (917066)**

**BACKGROUND :** Concerns about the ability of EPA to carry out added responsibilities with limited resources have raised debates over the costs of EPA programs. The FY 95 budget request is for \$3.1 billion, a 13.5% increase over FY 94, but some federal environmental mandates remain unfunded. Also, the Superfund program and agency-wide contract management continue to be improperly managed.

**KEY QUESTIONS :** (1) Do agency financial management systems provide program managers and Congress information to support resource allocation and program cost decisions? (2) Are financial audits adequate to support the consolidated financial statements audit of the U.S. government? (3) Are actions being taken to resolve high risk and FMFIA issues and to implement NPR recommendations?

**TITLE: CFO IMPLEMENTATION AT THE DEPARTMENT OF TRANSPORTATION (917067)**

**BACKGROUND :** Concerns have been raised about DOT's ability to develop and implement sound financial management systems and procedures. The FY 95 budget request is for \$40.8 billion, an 8.2 % increase over FY 94. Also, although some progress has been made in the area of grant management, oversight by the Federal Transit Administration remains inadequate.

**KEY QUESTIONS :** (1) Do agency financial management systems provide program managers and Congress information to support resource allocation and program cost decisions? (2) Are financial audits adequate to support the consolidated financial statements audit of the U.S. government? (3) Are actions being taken to resolve high-risk and FMFIA issues and to implement NPR recommendations?

**TITLE: HRA 6:FY 1994 FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP) FINANCIAL STATEMENT AUDIT (917068)**

**BACKGROUND :** The Federal Family Education Loan Program (FFELP) was established in 1965 to provide students with a source of funds to help finance their education. These loans are generally made by commercial lenders who are insured against default by guaranty agencies, who are in turn reinsured by the Department of Education.

**KEY QUESTIONS :** 1) Are the FFELP's FY 1994 financial statements fairly stated? 2) Are Education's internal controls over the FFELP adequate? 3) Is Education in compliance with laws and regulations related to the FFELP?

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## *Civil Financial Audits*

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### **OTHER ISSUE AREA WORK**

**TITLE: POLICY GUIDANCE ON PREPARING AND AUDITING FINANCIAL STATEMENTS UNDER THE CFO ACT (910020)**

**BACKGROUND :** In September 1991, GAO issued policy guidance explaining the CFO Act's provisions (GAO/AIMD-12.19.4). In October 1994, the Government Management Reform Act amended the CFO Act to require audited financial statements for 24 major agencies and the entire government.

**KEY QUESTIONS :** (1) What led the Congress to amend the CFO Act? (2) What are the act's new requirements? (3) Which agencies are to prepare financial statements? (4) What are the responsibilities of agency financial managers and inspectors general under the act? (5) What accounting and auditing standards are to be used?

**TITLE: REVIEW OF MEDICAL LIABILITY COST STUDIES (913722)**

**BACKGROUND :** Recent congressional debate over health care reform included medical liability as an area where reform could lead to potential savings. However, opponents of medical tort reform cite studies indicating that medical liability costs represent only about 1% of hospitals costs. On the basis of these studies, they argued that medical tort reform would not produce significant savings.

**KEY QUESTIONS :** What are the various types of medical liability costs incurred by hospitals? Do studies indicating that liability costs represent only one percent of hospital costs measure all liability-related expenses? If not, which cost elements were excluded? This assignment will not quantify total hospital liability costs.

**TITLE: REVIEW OF THE DESIGN AND IMPLICATION OF FEMA'S FINANCIAL MANAGEMENT SYSTEM (913731)**

**BACKGROUND :** FEMA is the central agency within the federal government for emergency planning, preparedness, mitigation, response, and recovery. FEMA is currently implementing a new core financial management system to address its previously identified systems deficiencies. The Congress requested GAO to review the design and implementation of FEMA's new financial management system.

**KEY QUESTIONS :** (1) Will the new system meet FEMA's identified objectives? (2) Do the identified objectives include the needs of system users for both financial and performance results information? (3) To what extent will the system be operational by FEMA's target date of October 1, 1995?

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## **Civil Financial Audits**

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### **OTHER ISSUE AREA WORK**

**TITLE: ANALYSIS OF THE DISTRICT'S CASH FLOW POSITION AND REVIEW OF QUARTERLY PAYMENT (917070)**

**BACKGROUND :** GAO issued a report in June 1994 on the District's financial condition. As a result of this work, the Congress required the District to reduce budget expenditures by \$140 million dollars. This legislation also requires the District to submit quarterly financial information to the Congress. GAO has been requested to analyze this information.

**KEY QUESTIONS :** 1) How does the District prepare quarterly financial reports and how is this information used? 2) What information should be available about the District's cash flow information?

**TITLE: INFORMATION FOR NEW D.C. AUTHORITY (917075)**

**BACKGROUND :** The District has serious fiscal problems. The Congress expects to pass legislation creating an authority with District oversight responsibilities. The two indicated House Subcommittees dealing with the District have asked GAO to put together information that could be used to assist the Authority as it begins to assume its responsibilities.

**KEY QUESTIONS :** Information will be gathered in the following areas: (1) District background information, (2) critical issues facing the District, (3) experience of other cities facing similar issues and the role of oversight boards, and (4) early implementation issues facing the Authority.

**TITLE: SUMMARY INFORMATION FOR THE D.C. FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY (917079)**

**BACKGROUND :** GAO was asked to prepare information that would be helpful to the Authority as it begins to assume its new responsibilities.

**KEY QUESTIONS :** Information was presented in the following areas: (1) District background information, (2) critical issues facing the District, (3) experience of other cities facing similar issues and the role of oversight boards, and (4) early implementation issues facing the Authority.



