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Foreword

This report was prepared primarily to inform Congressional members and key staff of ongoing assignments in the General Accounting Office's Government-wide Accounting and Financial Management Issues issue area. This report contains assignments that were ongoing as of February 2, 1998, 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 Gary Engel, Director, on (202) 512-8815; or Gregory Kutz, Associate Director, on (202) 512-9505.

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Governmentwide Acctng & Financial Mgmt Issues

FINANCIAL CONDITION-GAFM

TITLE: HRA 2: IRS FISCAL YEAR 1997 CUSTODIAL FINANCIAL STATEMENT AUDIT (901755)

KEY QUESTIONS : The CFO Act requires the IRS to prepare financial statements for fiscal year 1997. This is the sixth year that GAO will perform the audit of the IRS' custodial financial statements. With collections of \$1.5 trillion and refunds of \$129 billion, the audit of the IRS' custodial financial statements is a significant undertaking which will utilize significant staff resources. The risk level of the fiscal year 1997 IRS audit is high. The key questions are as follows. Are the IRS' Custodial financial statements fairly stated for the fiscal year ending September 30, 1997? Are internal controls effective? Is IRS in compliance with pertinent laws and regulations?

TITLE: FINANCIAL STATEMENT AUDIT OF THE PUBLIC DEBT (919106)

KEY QUESTIONS : The Bureau of Public Debt is responsible for managing and reporting essentially all of the federal debt and related unamortized discount, interest payable, and interest expense. Federal debt will likely be the largest single item on the consolidated financial statements and has never been subject to a financial audit. GAO's auditing responsibilities for federal debt include supporting the opinion on the governmentwide consolidated statements as well as rendering an opinion on BPD's custodial financial statements. GAO must determine the reasonableness of the reported public debt principal and related line items (unamortized discount, interest payable, and interest expense) as well as report on BPD's internal controls and compliance with laws and regulations relating to these line items.

TITLE: FY 97 FINANCIAL STATEMENT AUDIT FOR CASH LINE ITEM (919112)

KEY QUESTIONS : Under the Government Management Reform Act (GMRA), GAO will audit the FY 1997 governmentwide consolidated financial statements. Treasury's Financial Management Service (FMS), along with the Federal Reserve as its fiscal agent, functions as the central bank for the federal government. We will determine if (1) the federal government's FY 97 ending cash balances and the related disclosures are reliable in all material respects, (2) Treasury's internal controls (including EDP) over disbursements and collections are working effectively, and (3) Treasury is in compliance with significant laws and regulations related to the cash line item.

TITLE: CFS AUDIT OF THE OTHER ASSETS AND ACCOUNTS AND INTEREST RECEIVABLES LINE ITEM FOR FY 1997 (919117)

KEY QUESTIONS : Under the Government Management Reform Act, GAO will audit the consolidated financial statements (CFS) for FY 97. Other Assets and Accounts and Interest Receivables is a material line item that totaled \$168.4 billion at 9/30/96. Numerous agencies contribute to this line item. Our objectives are to determine whether (1) the line item and related disclosures are reliable in relation to the CFS taken as a whole, (2) there are material weaknesses in internal controls over the line item related to safeguarding, compliance and assuring that there were no material misstatements, and (3) all laws and regulations relating to the line item that have a direct and material effect on the CFS were identified and sufficient compliance tests performed, and any instances of noncompliance properly reported.

Governmentwide Acctng & Financial Mgmt Issues

TITLE: REVIEW OF THE FEDERAL EMPLOYEE PENSIONS AND OTHER BENEFITS LINE ITEM (919118)

KEY QUESTIONS : Under provisions in the Government Management Reform Act of 1994, the General Accounting Office will audit the governmentwide consolidated financial statements for fiscal year 1997. The Federal Employee and Veterans Benefits line item represents actuarial liability estimates for future retirement, disability, life insurance, workmen's compensation, and postretirement health care administered by OPM, DOD, Labor, Coast Guard, and others and for VA veterans' compensation program. (1) Are the line item and footnote disclosures fairly stated in FY 1997, (2) Were there material weaknesses in internal controls for the line item, and (3) Was there compliance with the laws and regulations that have a direct and material impact on the line item?

TITLE: RECONCILIATION OF AGENCIES' FUND BALANCES WITH TREASURY ACCOUNTS (919119)

KEY QUESTIONS : Under the Government Management Reform Act of 1994, GAO will audit the government's consolidated financial statements for FY 1997. The monthly process of reconciling the Fund Balances with Treasury accounts is a key internal control over recording overall government and individual agency receipts and disbursements. (1) Is Treasury's reconciliation process effective in ensuring that receipts and disbursements are properly reported? (2) Are agencies properly and timely reconciling differences, and, if not, what is the effect on agency and consolidated financial statements? (3) What initiatives have Treasury and agencies taken to clear differences and improve the reconciliation process? (4) Can GAO rely on agency auditors' testing of controls over reconciliation?

TITLE: OTHER MONETARY ASSETS (919121)

KEY QUESTIONS : Under the Government Management Reform Act, GAO will audit the FY 97 governmentwide consolidated financial statements (CFS). Other Monetary Assets (OMA), a material component of the Cash and OMA line item, totalled \$144.6 billion (9/30/96) and included gold reserves, special drawing rights, foreign currencies, and the US reserve position in the International Monetary Fund. We will determine whether (1) OMA and related disclosures are fairly stated at 9/30/97 in relation to the CFS taken as a whole, (2) there are material weaknesses in internal controls over OMA related to safeguarding, compliance and assuring that there were no material misstatements, (3) all significant laws and regulations relating to OMA were identified and sufficient compliance tests were performed.

TITLE: FY 97 GOVERNMENTWIDE CONSOLIDATED FINANCIAL STATEMENT AUDIT--ADMINISTRATION OF JUSTICE (919126)

KEY QUESTIONS : The Government Management Reform Act of 1994 requires GAO to audit the FY 1997 governmentwide consolidated financial statements. The Administration of Justice line item (approx. \$21 billion for FY 96) is material and involves primarily the Departments of Justice (DOJ) and Treasury, and the Judicial branch. DOJ and Treasury will be audited by the Inspector Generals (IG)/IPAs. We need to assess their work to render an opinion on the CFS. We will assess the work of the IGs, in accordance with FAM 650, to determine whether we can rely on it as our own. We need to determine whether adequate audit procedures are being performed to: (1) audit the administration of justice function; (2) evaluate internal controls; and (3) test compliance with significant provisions of laws & regulations.

Governmentwide Acctng & Financial Mgmt Issues

TITLE: 999-AGREED-UPON PROCEDURES (SAS 75) REPORT FOR DEPARTMENT OF LABOR - FUTA TAXES COLLECTED FOR FY 97 (919155)

KEY QUESTIONS : The CFO Act as expanded by the Government Management Reform Act of 1994 requires GAO to audit the 1997 government financial statements. Treasury distributes Federal Unemployment Tax (FUTA) receipts to the FUTA Trust Fund administered by the Department of Labor (DOL). The DOL OIG qualified its opinion on the FY96 financial statements primarily due to a scope restriction relating to FUTA revenues. GAO will perform procedures to provide assurance on the accuracy of FY97 FUTA trust fund collections. We believe that the agreed-upon procedures, the SAS 70 report, and procedures performed by the DOL OIG in combination, are sufficient to provide the auditors a basis to conclude on the reasonableness of FUTA revenues. What are the findings related to the procedures performed on FUTA collections?

TITLE: 999-AGREED-UPON PROCEDURES (SAS 75) REPORT FOR DEPARTMENT OF TRANSPORTATION - EXCISE TAXES COLLECTED FOR FY 97 (919156)

KEY QUESTIONS : The CFO Act as expanded by the Government Management Reform Act of 1994 requires GAO to audit the 1997 government-wide consolidated financial statements. Treasury distributes excise receipts to 9 different trust funds administered by other agencies such as the Departments of Transportation (DOT) and Labor (DOL). GAO will perform agreed-upon procedures to provide assurance on a schedule of excise taxes collected for FY97. We believe that the agreed-upon procedures, the SAS 70 report performed under 919154, and the procedures performed by the trust fund auditors in combination, are sufficient to provide the auditors a basis to conclude on the reasonableness of excise revenues. (1) What are the findings related to the procedures performed on excise collections?

TITLE: AGENCY AUDIT APPROACH--DEPARTMENT OF THE TREASURY/FY 97 CFS (919162)

KEY QUESTIONS : Under the Government Management Reform Act (GMRA), GAO will audit the consolidated financial statements (CFS) of the federal government for FY 97. Treasury is responsible for managing virtually all public debt, collecting virtually all federal revenues, and making disbursements on behalf of federal agencies (excluding primarily DOD). It also provides central accounting and reporting for the government. Our objectives are to determine (1) whether Treasury properly produced reliable departmentwide financial statements; (2) whether the Treasury OIG properly reported on those statements and related internal controls and compliance with laws and regulations; and (3) any impact of these on the consolidated governmentwide financial statements.

TITLE: REVIEW OF TREASURY'S CASH AND DEBT MANAGEMENT FUNCTION (919172)

KEY QUESTIONS : Under the Government Management Reform Act of 1994, GAO is auditing the federal government's Consolidated Financial Statements for 1997. Because federal cash balances and activity related to managing the federal debt are material to the consolidated financial statements, and Treasury's cash and debt accounts involve a high volume of activity, we plan to focus our audit work on the cash and debt management functions. This work is being done to gain an understanding of the range of Treasury's roles and responsibilities in managing and reporting the federal government's cash and debt. In addition, given that the amount of debt outstanding is subject to statutory limitation, compliance with this provision is a critical financial statement audit issue.

Governmentwide Acctng & Financial Mgmt Issues

TITLE: FY 97 COMPILATION PROCESS FOR THE CONSOLIDATED FINANCIAL STATEMENT OF THE U.S. GOVERNMENT (919173)

FINANCIAL OPERATIONS-GAFM

TITLE: HRA 3: MONITORING ASSET FORFEITURE PROGRAMS AT CUSTOMS AND DOJ (901768)

KEY QUESTIONS : We provided additional information on 12 areas within GAO's high-risk program. Subsequently, areas were assigned to individual members for follow up and a series of meetings were held with members and key staff to brief them on the areas. Members plan to work with GAO and agencies in helping to assure actions are taken to resolve long standing high-risk issues. The asset forfeiture program areas at Customs and Justice is one of the 12 areas noted above. We expect to be contacted by the members assigned to the area and work with them and the agency to address outstanding issues relating to weaknesses in internal controls over seized property. Under this assignment, GAO will continue monitoring the asset forfeiture programs, in particular the seized property area, at the 2 agencies.

TITLE: REVIEW OF U.S. TREASURY OFFICE OF INSPECTOR GENERAL'S AUDITS OF THE BUREAU OF ALCOHOL, TOBACCO, AND FIREARMS (ATF), AND THE U.S. CUSTOMS SERVICE (CUSTOMS) (919150)

KEY QUESTIONS : Under GMRA, GAO will audit the government's FY 97 consolidated financial statements (CFS). The non-exchange revenues of the Customs and ATF, two of Treasury's entities, are material to the CFS' non-exchange revenues line item, and are included in the scope of our audit. For this portion of the line item, our objectives are to determine whether: (1) the amount reported and related disclosures are reliable in relation to the CFS taken as a whole, 2) there are related material weaknesses in internal controls for safeguarding, complying and assuring that there were no material misstatements, and 3) all related laws and regulations that have a direct and material effect on the CFS were identified and sufficient compliance tests performed, and any instances of noncompliance properly reported.

Governmentwide Acctng & Financial Mgmt Issues

TITLE: SAS 70 REVIEW - TREASURY'S PROCESS OF REVENUE COLLECTION AND DISTRIBUTION TO THE TRUST FUNDS (919154)

KEY QUESTIONS : The 1994 Government Management Reform Act requires GAO to audit the 1997 government-wide consolidated financial statements. Treasury collects tax revenue and then distributes receipts to trust funds administered by other agencies. These agencies & auditors need to be satisfied that Treasury properly collects, distributes, and adjusts the amounts transferred from the General Fund to the trust funds to enable the auditors to draw appropriate conclusions on their audits. (1) What are Treasury's policies and procedures that may be relevant to a user organization's internal control structure, (2) Are they suitably designed to achieve specified control objectives? (3) Are they operating with sufficient effectiveness to provide reasonable assurance that the control objectives were achieved?

TITLE: FEDERAL RESERVE SYSTEM EDP REPORT (919164)

KEY QUESTIONS : Under the Government Management Reform Act, GAO is auditing the FY 97 governmentwide consolidated financial statements (CFS). As part of that work, we test the EDP general controls over the key financial systems maintained and operated by the Federal Reserve System (FRS) as fiscal agent for the Department of the Treasury. We will evaluate whether (1) the mainframe system general controls are effective in safeguarding the related assets of Treasury and the federal government; (2) access to sensitive data and computer programs is restricted to prevent unauthorized changes and disclosure; and (3) backup and recovery plans are adequate to continue essential operations in the event of an emergency.

TITLE: FINANCIAL MANAGEMENT SERVICE EDP REPORT (919165)

KEY QUESTIONS : Under the Government Management Reform Act, GAO is auditing the FY 97 governmentwide consolidated financial statements(CFS). As part of that work, we test the EDP general controls over the key financial systems maintained and operated by the Department of the Treasury, Financial Management Service (FMS). We will evaluate whether (1) the mainframe system general controls are effective in safeguarding the assets of the Treasury and the Federal government; (2) access to sensitive data and computer programs is restricted to prevent unauthorized changes and disclosure; and (3) backup and recovery plans are adequate to continue essential operations in the event of an emergency.

TITLE: BUREAU OF PUBLIC DEBT EDP REPORT (919166)

KEY QUESTIONS : Under the Government Management Reform Act, GAO is auditing the FY 97 governmentwide consolidated financial statements (CFS). As part of that audit, we test the EDP general controls over the key financial systems maintained and operated by the Department of the Treasury, Bureau of the Public Debt (BPD). We will evaluate whether (1) the mainframe system general controls are effective in safeguarding the information relating to the debt held by the public and owed by the federal government; (2) access to sensitive data and computer programs is restricted to prevent unauthorized changes and disclosure; and (3) backup and recovery plans are adequate to continue essential operations in the event of an emergency.

Governmentwide Acctng & Financial Mgmt Issues

TITLE: GSA FISCAL YEAR 1997 FINANCIAL STATEMENTS AUDIT (919169)

KEY QUESTIONS : The General Service Administration (GSA) had total assets of approximately \$18 billion as of September 30, 1996, and total expenses of approximately \$9.3 billion. As part of our audit of the government's fiscal year 1997 financial statements, we will be reviewing the audit of GSA's financial statements. (1) Do GSA's financial management systems substantially comply with FFMIA requirements, FASAB standards, and the SGL at the transaction level? (2) Are there any inconsistencies between GSA's overview, other supplemental information and the consolidated agency statements? (3) Did GSA's auditors identify all laws and regulations that have a direct and material effect on the CFS? (4) Were there any subsequent events that could have a material effect on the CFS?

TITLE: DEPARTMENT OF COMMERCE FISCAL YEAR 1997 FINANCIAL STATEMENTS AUDIT (919170)

KEY QUESTIONS : The Department of Commerce (DOC) had total assets of approximately \$7.5 billion as of September 30, 1996, and total expenses of approximately \$5.3 billion for fiscal year 1996. As a part of our audit of the government's FY 1997 financial statements, we will be reviewing the audit of DOC's financial statements. (1) Do DOC's financial management systems substantially comply with FFMIA requirements, FASAB standards, and the SGL at the transaction level? (2) Are there any inconsistencies between DOC's overview, other supplemental information and the consolidated agency statements? (3) Did DOC's auditors identify all laws and regulations that have a direct and material effect on the CFS? (4) Were there any subsequent events that could have a material effect on the CFS?

TITLE: OPM FISCAL YEAR 1997 FINANCIAL STATEMENTS AUDIT (919171)

KEY QUESTIONS : The Office of Personnel Management (OPM) is responsible for administering the retirement, health benefits and life insurance programs for federal employees and annuitants. OPM's financial statements significantly impact the employee and veterans benefits line item of the government's consolidated financial statements (CFS). (1) Do OPM's financial management systems substantially comply with federal requirements and standards at the transaction level? (2) Are there any inconsistencies between OPM's overview, other supplemental information, and the agency statements? (3) Did OPM's auditors identify all laws and regulations that have a direct and material effect on the CFS? (4) Were there any subsequent events that could have a material effect on the CFS?

TITLE: FMS MANAGEMENT LETTER RE: CONTROLS OVER REGIONAL FINANCIAL CENTER DISBURSEMENTS (919174)

KEY QUESTIONS : Under the The Government Management Reform Act, GAO is auditing the the Federal government's consolidated financial statements beginning with FY 1997. As part of the overall audit, we test controls over cash disbursements at the Treasury Department's Financial Management Service's six Regional Financial Centers. We will evaluate the results of the audit procedures performed and determine if there are material weaknesses in internal controls, other reportable conditions or other matters related to FMS cash disbursements that should be reported to FMS management.

TITLE: INTERNAL CONTROLS OVER THE FINANCIAL MANAGEMENT SERVICE'S (FMS) AUTOMATED STANDARD APPLICATION FOR PAYMENT SYSTEM (ASAP) (919176)

OTHER ISSUE AREA WORK - GAFM

TITLE: IMPLEMENTATION OF THE ADMINISTRATIVE OFFSET PROVISION OF THE DEBT COLLECTION ACT OF 1996 (901774)

KEY QUESTIONS : The Debt Collection Improvement Act (DCIA) of 1996 contained numerous provisions aimed at increasing federal debt collection. In preparation for a planned hearing in April 1998, we have been requested to focus on the provision of the Act that requires federal agencies to submit eligible non-tax delinquent debt over 180 days old to Treasury for participation in Treasury's administrative offset program. The key questions are: (1) What actions Treasury is taking to consolidate the administrative, tax refund, and federal salary offset programs, (2) What are the reasons for non-referral of eligible debt, (3) What actions Treasury is taking to include all eligible payments in the offset program, (4) What systems or other issues may plague successful implementation?

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