

**ADVISORY MEMORANDUM REPORT  
ON SBA'S FEDERAL AGENCIES' CENTRALIZED  
TRIAL BALANCE SYSTEM (FACTS) DATA**

**ADVISORY REPORT NO: 2-08**

**MARCH 4, 2002**

**This report may contain proprietary information subject to the provisions of 18 USC 1905 and must not be released to the public or another agency without permission of the Office of the Inspector General.**



**U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, D.C. 20416**

<b>ADVISORY MEMORANDUM REPORT</b>
<b>Issue Date: March 4, 2002</b>
<b>Number: 2-08</b>

**To:** Thomas A. Dumaresq, Chief Financial Officer

*Robert G. Seabrooks*

**From:** Robert G. Seabrooks, Assistant Inspector General for Auditing

**Subject:** Agreed-upon Procedures Report for FACTS Verification

Attached is Cotton & Company LLP's agreed-upon procedures report for verification of SBA's Federal Agencies' Centralized Trial Balance System (FACTS) data. They noted findings relating to a difference in reported amounts between SBA's FACTS data and its audited financial statements for two accounts, two line items, and the Account Groupings Worksheet (AGW) FACTS NOTES. Additionally, several line items on the AGW Statement of Changes in Net Position did not foot due to cell reference errors. We recommend that you take action to correct these deficiencies and strengthen internal procedures to prevent future discrepancies.

Should you or your staff have any questions, please contact Robert G. Hultberg, Director, Business Development Programs Group at (202) 205-7577.

Attachment

# COTTON & COMPANY LLP

auditors • advisors

DAVID L. COTTON, CPA, CFE, CGFM • CHARLES HAYWARD, CPA, CFE, CISA • MICHAEL W. GILLESPIE, CPA, CFE • CATHERINE L. NOCERA, CPA  
MATTHEW H. JOHNSON, CPA, CGFM • SAM HADLEY, CPA, CGFM • COLLETTE Y. WILSON, CPA

## INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES FOR FACTS VERIFICATION

Inspector General  
U.S. Small Business Administration

Cotton & Company LLP performed the procedures enumerated in the attachment, which were agreed to by the Department of the Treasury's Financial Management Service (FMS), the General Accounting Office (GAO), and the Office of Management and Budget (OMB), solely to assist you in evaluating the Small Business Administration's (SBA) management assertion that SBA compared summarized Federal Agencies' Centralized Trial-Balance System (FACTS I) data to related information in its consolidated financial statements as of and for the year ended September 30, 2001.

We performed this agreed-upon procedures engagement in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of specified report users. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment either for the purpose for which this report was requested or for any other purpose.

We noted the following findings as a result of conducting the agreed-upon procedures:

- A difference in the reported amount of Standard General Ledger (SGL) Account 2920N, Contingent Liabilities.
- A difference in the reported amount of SGL Account 2180N, Liabilities for Loan Guarantees.
- Several line items on the Account Groupings Worksheet (AGW) Statement of Changes in Net Position did not foot because of cell reference errors.
- A difference in the reported amounts for gross cost and earned revenue line items by budget functional classification on the AGW Statement of Net Cost.
- A difference in the reported amounts for AGW FACTS I NOTES.



established 1981

We were not requested to and we did not perform an examination, the objective of which would be the expression of an opinion on the FACTS I data described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Treasury, GAO, and OMB and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

**COTTON & COMPANY LLP**

By: Tony Chin for  
Matthew H. Johnson, CPA

March 4, 2002  
Alexandria, Virginia

**ATTACHMENT  
AGREED-UPON PROCEDURES AND FINDINGS  
FINAL AGW**

<b>Procedure</b>	<b>Differences Noted</b>
<p>1. We traced amounts for split SGL accounts in agency records to the AGW split account worksheet.</p>	<p>We identified a difference under Account 2920N, Contingent Liabilities. SBA's record shows a balance of \$19,780,179.12, and the AGW split account worksheet shows a balance of \$13,342,069.55. The difference is \$6,438,109.57.</p> <p>SBA made an error in cross-walking the agency's general ledger account to the standard general ledger account.</p>
<p>2. We traced amounts for each line item in the audited agency consolidated Balance Sheet and audited agency consolidated Statement of Changes in Net Position to related amounts in the AGW column titled "Amount from Agency Financial Statements" provided by the Chief Financial Officer (CFO).</p>	<p>We identified a difference under Account 2180N, Liabilities for Loan Guarantees. SBA's record shows a balance of \$1,076,583,495.09, and the AGW column shows a balance of \$1,083,021,604.66. The difference is \$6,438,109.57.</p> <p>SBA made an error in cross-walking the agency's general ledger account to the standard general ledger account.</p>
<p>3. We traced amounts for each line item on the AGW Balance Sheet and AGW Statement of Changes in Net Position for the column titled "Amount from Agency Financial Statements" to related amounts on the audited agency consolidated Balance Sheet and audited agency consolidated Statement of Changes in Net Position.</p>	<p>Same as Step 2.</p>
<p>4. We footed the AGW Balance Sheet and AGW Statement of Changes in Net Position column titled "Amount from Agency Financial Statements." We footed and cross-footed the AGW Balance Sheet and AGW Statement of Changes in Net Position column titled "Difference."</p>	<p>The line items of Total Financing Sources and Ending Balances on the AGW Statement of Changes in Net Position column titled "Amount from Agency Financial Statements" do not foot. The difference is \$103.42 for each line item.</p> <p>The line items of Total Financing Sources and Ending Balances on the AGW Statement of Changes in Net Position column titled "Difference" do not crossfoot. The difference is \$101,363,121.83 for each line item.</p> <p>All differences are the result of cell reference errors in the Microsoft Excel worksheet used to prepare the AGW Statement of Changes in net Position. These improper cell references resulted in amounts being</p>

	omitted from column and row calculations
<b>Procedure</b>	<b>Differences Noted</b>
5. We read the explanation for differences identified by the CFO for the AGW Balance Sheet and AGW Statement of Changes in Net Position and listed on each AGW. We reviewed the explanation for consistency with supporting documentation and with results of audit procedures performed in conjunction with the current-year audit of related financial statements.	We noted no differences.
6. If an amount labeled as "difference" was included on the Unreconciled Change in Net Position line at the bottom of the Statement of Changes in Net Position on the AGW, we read and compared the explanation for the difference identified by the CFO to supporting documentation for the difference.	We noted no differences.
7. We traced amounts for each line item for total gross cost, total earned revenue, and total net cost, net of intradepartmental amounts by Budget Functional Classification (BFC) from the audited agency consolidated financial statement footnote to amounts on the AGW Statement of Net Cost column titled "Amount from Agency Financial Statements" provided by the CFO.	We noted no differences. SBA does not have multiple trading partners in the same department.
8. We traced amounts for each line for total gross cost, total earned revenue, and total net cost, net of intradepartmental amounts by BFC on the AGW Statement of Net Cost for the column titled "Amount from Agency Financial Statements" provided by the CFO to related amounts on the audited agency consolidated financial statements footnote.	We noted no differences. SBA does not have multiple trading partners in the same department.

<b>Procedure</b>	<b>Differences Noted</b>
<p>9. We traced amounts for each line item in the audited agency consolidated financial statement footnote for gross cost, earned revenue, and net cost for interdepartmental amounts by BFC to related amounts on the AGW Statement of Net Cost column titled "Amount from Agency Financial Statements" provided by the CFO.</p>	<p>The amounts for Line Item 370, Commerce &amp; Credit, in the audited agency consolidated financial statement footnote for gross cost and earned revenue for interdepartmental amounts by BFC do not agree with related amounts on the AGW Statement of Net Cost column provided by the CFO.</p> <p>Gross cost and earned revenue per the financial statements is \$2,932,746.40 and \$78,207,415.67, respectively. The AGW amounts are \$116,812,475.51 and \$80,432,934.58, respectively. The gross cost and earned revenue differences are \$113,879,729.11 and \$2,225,518.91, respectively.</p> <p>SBA made data entry errors in its AGW Statement of Net Cost submission.</p>
<p>10. We traced amounts for each line item for gross cost, earned revenue, and net cost for interdepartmental amounts by BFC from the AGW Statement of Net Cost column titled "Amount from Agency Financial Statements" to amounts on the audited agency consolidated financial statement footnote provided by the CFO.</p>	<p>Same as Step 9.</p>
<p>11. We traced amounts for each line item for total gross cost, total earned revenue, and total net cost from the AGW Statement of Net Cost column titled "Amount from Agency Financial Statements" to related amounts on the audited agency consolidated financial statement footnote provided by the CFO.</p>	<p>We noted no differences.</p>
<p>12. We traced the amounts for each line item for total gross cost, total earned revenue and total net cost from the audited agency consolidated financial statement footnote to the related amounts on the AGW Statement of Net Cost column titled "Amount from Agency Financial Statements" provided by the CFO.</p>	<p>We noted no differences.</p>

<b>Procedure</b>	<b>Differences Noted</b>
13. We footed the AGW Statement of Net Cost column titled "Amount from Agency Financial Statements." We footed and crossfooted the AGW Statement of Net Cost column titled "Difference."	We noted no differences.
14. We read the explanation for differences identified by the CFO for the AGW Statement of Net Cost. We reviewed the explanation for consistency with supporting documentation and with results of audit procedures performed in conjunction with the audit of related financial statements.	We noted no differences.
15. We traced amounts for each respective line item on the AGW FACTS I NOTES Review Schedule from the agency consolidated financial statement footnotes or other supporting data to amounts on the AGW FACTS I NOTES Review Schedule columns titled "Agency Source" and "Amount from Agency Source."	<p>An amount of (\$128,017,000) was omitted from FACT I NOTE 18, "Loans Receivable and Loan Guaranty Liabilities," in the section titled "Total Loan Guaranty Subsidy Expense" for the column titled "Amount from Agency Source DATA." The amount for Total Loan Guaranty Subsidy Expense" per the agency's audited financial statements was (\$128,017,000); the amount on the AGW FACTS I NOTES Review Schedule was zero.</p> <p>SBA made a data entry error and neglected to enter the proper "Total Loan Guaranty Subsidy Expense" of (\$128,017,000) on the AGW FACTS I NOTES Review Schedule.</p>
16. We footed the AGW FACTS I NOTES Review Schedule column titled "Amount from Agency Source," and crossfooted the AGW FACTS I NOTES Review Schedule column titled "Difference."	We noted no differences.
17. We read the explanation for differences identified by the CFO for the AGW FACTS I NOTES Review Schedule. We reviewed the explanation for consistency with supporting documentation and with results of audit procedures performed in conjunction with the audit of the related financial statements.	We noted no differences.