

**ADVISORY MEMORANDUM REPORT**  
**ON SBA'S FEDERAL AGENCIES' CENTRALIZED**  
**TRIAL BALANCE SYSTEM (FACTS) DATA**  
**ADVISORY MEMORANDUM REPORT NO: 3-11**  
**FEBRUARY 6, 2003**

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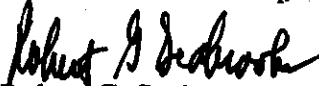
U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, D.C. 20416

ADVISORY MEMORANDUM  
REPORT

Issue Date: February 6, 2003

Number: 3-11

To: Thomas A. Dumaresq, Chief Financial Officer

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 on verification of SBA's Federal Agencies' Centralized Trial Balance System (FACTS) data. They noted the following findings as a result of conducting the agreed-upon procedures: (1) seventeen rounding differences between amounts in SBA's financial statements and footnotes, and amounts presented for FACTS reporting; (2) two insufficient explanations for items designated as differences on the FACTS reporting schedules; (3) two misclassifications of agency gross costs by budget subfunction on the Statement of Net Cost Account Groupings Worksheet; and (4) two differences between the FACTS notes and amounts included in SBA's audited financial statements and notes due to incorrect data entry and failure to update FACTS amounts for audit adjustments.

The report is intended solely for the use of SBA's Office of Chief Financial Officer, the Office of Management and Budget, the General Accounting Office, and the U.S. Department of Treasury's Financial Management and Assurance Division and does not contain recommendations. 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

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## INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES

### FEDERAL AGENCIES' CENTRALIZED TRIAL-BALANCE SYSTEM

Inspector General  
U.S. Small Business Administration

Cotton & Company LLP performed the procedures enumerated in the attachment, Agreed-Upon Procedures and Findings, Federal Agencies' Centralized Trial-Balance System. Such procedures were agreed to by the U.S. Department of the Treasury, Financial Management Service (FMS); General Accounting Office (GAO); and Office of Management and Budget (OMB). We performed our work in accordance with standards established by the American Institute of Certified Public Accountants solely to assist FMS, GAO, and OMB with regard to SBA's Federal Agencies' Centralized Trial-Balance System (FACTS I) data as of and for the year ended September 30, 2002. Such data are needed for FMS' preparation of consolidated financial statements of the United States government as of and for the year ended September 30, 2002, and for GAO's audit of those statements.

The sufficiency of the agreed-upon procedures is the sole responsibility of FMS, GAO, and OMB. 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. U.S. Small Business Administration (SBA) management is responsible for FACTS I data and for complying with FMS criteria over intragovernmental transactions relating to SBA's principal financial statements as of and for the year ended September 30, 2002.

Our procedures identified the following findings:

- Seventeen rounding differences between amounts in SBA's financial statements and footnotes, and amounts presented for FACTS I reporting, as described in our findings corresponding with procedure Nos. 2, 11, and 15.
- Two insufficient explanations for items designated as *differences* on the FACTS I reporting schedules, as described in our findings corresponding with procedure Nos. 5 and 14.
- Two misclassifications of agency gross costs by budget subfunction on the *Statement of Net Cost Account Groupings Worksheet*, as described in our finding corresponding with procedure No. 7.

C&C

established 1981

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- Two differences between the FACTS I notes and amounts included in SBA's audited financial statements and notes due to incorrect data entry and failure to update FACTS I amounts for audit adjustments, as described in our finding corresponding with procedure No. 15.

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 FMS, 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



Charles Hayward, CPA

February 6, 2003  
Alexandria, Virginia

**ATTACHMENT  
AGREED-UPON PROCEDURES AND FINDINGS**

**U.S. SMALL BUSINESS ADMINISTRATION  
FEDERAL AGENCIES' CENTRALIZED TRIAL-BALANCE SYSTEM  
SEPTEMBER 30, 2002**

**Note:** Amounts per consolidated financial statements are presented in thousands of dollars, while Federal Agencies' Centralized Trial Balance System (FACTS I) data are presented in whole amounts. For comparative purposes, FACTS I amounts and differences between FACTS I and financial statement amounts were rounded to the nearest thousand.

**Agreed-Upon Procedure**

1. Trace amounts for split Standard General Ledger (SGL) accounts in agency records to the Account Groupings Worksheet (AGW) split account worksheet.

**Findings**

We noted no differences.

**Agreed-Upon Procedure**

2. Trace amounts for each line item in the agency consolidated balance sheet and 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).

**Findings**

The differences noted below are the result of rounding adjustments made for financial statement presentation:

- We identified a difference for consolidated balance sheet line item *Credit Programs Receivable and Related Foreclosed Property, Net*. The consolidated balance sheet shows a balance of \$5,469,485, and the related AGW column shows a balance of \$5,469,486. The difference is \$(1,000).
- We identified a difference for consolidated balance sheet line item *Intragovernmental Accounts Payable*. The consolidated balance sheet shows a balance of \$27,992, and the related AGW column shows a balance of \$27,993. The difference is \$(1,000).
- We identified a difference for consolidated balance sheet line item *Public Accounts Payable*. The consolidated balance sheet shows a balance of \$149,134, and the related AGW column shows a balance of \$149,133. The difference is \$1,000.
- We identified a difference for consolidated balance sheet line item *Unexpended Appropriations*. The consolidated balance sheet shows a balance of \$1,010,485 and the related AGW column shows a balance of \$1,010,483. The difference is \$2,000.
- We identified a difference for consolidated balance sheet line item *Cumulative Results of Operations*. SBA's consolidated balance sheet shows a balance of \$1,451,573, while the same line item under the balance sheet AGW column titled *Agency Financial Statements* has a balance of \$1,451,571. The difference is \$2,000.

- We identified a difference for consolidated statement of changes in net position line item *Beginning Net Position-October 1*. The consolidated statement of changes in net position shows a balance of \$879,335, and the related AGW column shows a balance of \$879,332. The difference is \$3,000.
- We identified a difference for consolidated statement of changes in net position line item *Beginning Net Position as Adjusted*. The consolidated statement of changes in net position shows a balance of \$880,734, and the related AGW column shows a balance of \$880,731. The difference is \$3,000.
- We identified a difference for consolidated statement of changes in net position line item *Total Financing Sources*. The consolidated statement of changes in net position shows a balance of \$34,745, and the related AGW column shows a balance of \$34,747. The difference is \$(2,000).
- We identified a difference for consolidated statement of changes in net position line item *Ending Net Position--Unexpended Appropriations*. The consolidated statement of changes in net position shows a balance of \$1,010,485, and the related AGW column shows a balance of \$1,010,484. The difference is \$1,000.
- We identified a difference for consolidated statement of changes in net position line item *Ending Net Position-Cumulative Results of Operations*. The consolidated statement of changes in net position shows a balance of \$1,451,573, and the related AGW column shows a balance of \$1,451,571. The difference is \$2,000.

**Agreed-Upon Procedure**

3. Trace 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 agency consolidated balance sheet and agency consolidated statement of changes in net position.

**Findings**

Same as those corresponding with agreed-upon procedure No. 2.

**Agreed-Upon Procedure**

4. Foot the AGW balance sheet and AGW statement of changes in net position column titled "Amount from Agency Financial Statements." Foot and cross-foot the AGW balance sheet and AGW statement of changes in net position column titled "Difference."

**Findings**

We noted no differences.

### Agreed-Upon Procedure

5. 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. Review the explanation for consistency with supporting documentation and with test results of the financial statements.

### Findings

- The explanation of "Did Not Split 5790" for the differences equaling \$204,977,461.03 and \$(204,976,461.03) on the consolidated statement of changes in net position for line items *Other adjustments (recissions, etc) (+/-)* and *Other (+/-)* on the AGW schedule does not adequately explain the differences. These differences exist because SBA maps SGL Account 5790, Other Financing Sources, to consolidated statement of changes in net position line item *Other Financing Sources--Other--Current Year Liquidating Equity Activity (+/-)* for financial statement reporting, but maps Account 5790 to line item *Budgetary Financing Sources--Other adjustments (recissions, etc) (+/-)* for FACTS I reporting.

### Agreed-Upon Procedure

6. If an amount labeled as "difference" was included on the Net Position--End of Period line at the bottom of the statement of changes in net position on the AGW, then read the explanation for the difference identified by the CFO and compare it with supporting documentation for the difference.

### Findings

We noted no differences.

### Agreed-Upon Procedure

7. Trace 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 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.

### Findings

- We identified the following differences for amounts presented in consolidated net cost AGW section *GROSS COST SECTION--AGENCY GROSS COST* under column *Agency Financial Statement footnotes* since SBA erroneously transposed gross cost amounts per its footnote when entering onto the FACTS I AGW:
  - The *Commerce and Credit* subfunction stated a balance of \$1,055,360,020.18 per the AGW; SBA's financial statement notes, however, stated a balance of \$999,966,032.03, resulting in a difference of \$55,393,988.15.
  - The *Community & Reg. Development* subfunction stated a balance of \$999,966,032.03 per the AGW; SBA's financial statement notes, however, stated a balance of \$1,055,360,020.18, resulting in a difference of \$(55,393,988.15).

**Agreed-Upon Procedure**

8. Trace 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 agency consolidated financial statements footnote.

**Findings**

We noted no differences.

**Agreed-Upon Procedure**

9. Trace amounts for each line item in the 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.

**Findings**

We noted no differences.

**Agreed-Upon Procedure**

10. Trace 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 agency consolidated financial statement footnote provided by the CFO.

**Findings**

We noted no differences.

**Agreed-Upon Procedure**

11. Trace 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 agency consolidated financial statement footnote provided by the CFO.

**Findings**

We identified a difference for line item *Net Cost of Operations*. SBA's consolidated statement of net cost shows a balance of \$1,135,459, and the related AGW column shows a balance of \$1,135,461. The difference is \$(2,000).

**Agreed-Upon Procedure**

12. Trace amounts for each line item for total gross cost, total earned revenue, and total net cost from the agency consolidated financial statement footnote to related amounts on the AGW statement of net cost column titled "Amount from Agency Financial Statements" provided by the CFO.

**Findings**

Same as those corresponding with agreed-upon procedure No. 11.



### **Agreed-Upon Procedure**

13. Foot the AGW statement of net cost column titled "Amount from Agency Financial Statements."  
Foot and crossfoot the AGW statement of net cost column titled "Difference."

### **Findings**

We noted no differences.

### **Agreed-Upon Procedure**

14. Read the explanation for differences identified by the CFO for the AGW statement of net cost.  
Review the explanation for consistency with supporting documentation and with results of testing related financial statements.

### **Findings**

- SBA's explanations for differences equaling \$(7,790,967.43) for *Gross Costs—Inter-Departmental* and \$(237,823.28) for *Exchange Revenue—Inter-Departmental* on the consolidated statement of net cost AGW, were not sufficient. Upon inquiry it was determined that these differences are attributable to SBA's process of manually assigning Budget Functional Classifications to consolidated net cost accounts for FACTS I reporting. These differences remain unresolved.

### **Agreed-Upon Procedure**

15. Trace 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."

### **Findings**

- We identified a difference for FACTS I Note 5, line item *Property, Plant, and Equipment*. SBA's financial statement notes show a balance of \$9,349, and the AGW FACTS I Notes Review Schedule shows a balance of \$9,348. The difference of \$1,000 is caused by rounding adjustments made for consolidated financial statement presentation.
- We identified a difference for FACTS I Note 18, line item *Value of Assets Related to Direct Loans (Allowance for Loss Method)*. SBA's financial statements show a balance of \$197,750, and the AGW FACTS I Notes Review Schedule shows a balance of \$197,749. The difference of \$1,000 is caused by rounding adjustments made for consolidated financial statement presentation.
- We identified a difference for FACTS I Note 18, line item *Value of Assets Related to Direct Loans (After Fiscal 1991)*. SBA's financial statements show a balance of \$3,770,700, and the AGW FACTS I Notes Review Schedule shows a balance of \$3,770,701. The difference of \$1,000 is caused by rounding adjustments made for consolidated financial statement presentation.

- We identified a difference for FACTS I Note 18, line item *Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net*. SBA's financial statements show a balance of \$1,267,920, and the AGW FACTS I Notes Review Schedule shows a balance of \$1,267,919. The difference of \$1,000 is caused by rounding adjustments made for financial statement presentation.
- We identified a difference for FACTS I Note 18, line item *Outstanding Principal of Guaranteed Loans, Face Value*. SBA's financial statements show a balance of \$50,101,846, and the AGW FACTS I Notes Review Schedule shows a balance of \$50,101,845. The difference of \$1,000 is caused by rounding adjustments made for financial statement presentation.
- We identified a difference for FACTS I Note 18, line item *Direct Loan Subsidy Expense*. SBA's financial statements show a balance of \$139,316, and the AGW FACTS I Notes Review Schedule shows a balance of \$126,696. The difference of \$12,620 occurred because SBA did not correct its FACTS I Note submission to reflect the financial statement footnote. The footnote was changed to correct a misclassification.
- We identified a difference for FACTS I Note 19, line item *Unexpended Obligations-- From The Public*. SBA's financial statements show a balance of \$707,651, and the AGW FACTS I Notes Review Schedule shows a balance of \$685,545. The difference of \$22,106 is attributable to a data input error during the FACTS I preparation process. The amount per the financial statements is correct.
- We identified a difference for FACTS I Note 21, line item *Fiscal Year 2002 Human Capital*. SBA's financial statements show a balance of \$160,732, and the AGW FACTS I Notes Review Schedule shows a balance of \$160,730. The difference of \$2,000 is caused by rounding adjustments made for financial statement presentation.

**Agreed Upon Procedure**

16. Foot the AGW FACTS I NOTES Review Schedule column titled "Amount from Agency Source" and crossfoot the AGW FACTS I NOTES Review Schedule column titled "Difference."

**Findings**

We noted no differences.

**Agreed-Upon Procedure**

17. Read the explanation for differences identified by the CFO for the AGW FACTS I NOTES Review Schedule. Review the explanation for consistency with supporting documentation and with results of testing related financial statements.

**Findings**

We noted no differences.