

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

REPORT NUMBER: 4-11

FEBRUARY 3, 2004

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**

ADVISORY MEMORANDUM REPORT
Issue Date: February 3, 2004
Number: 4-11

To: Thomas A. Dumaresq
Chief Financial Officer

Original Signed

From: Robert G. Seabrooks
Assistant Inspector General for Auditing

Subject: Agreed-upon Procedures Report on SBA's Federal Agencies' Centralized Trial-Balance System (FACTS) Data

Attached is Cotton & Company LLP's agreed-upon procedures report on SBA's Federal Agencies' Centralized Trial-Balance System (FACTS) data. They identified five items as a result of their procedures which are explained in further detail in their report.

This report is intended solely for the information and use of the Department of the Treasury's Financial Management Service, General Accounting Office, and Office of Management and Budget and it does not contain any 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

DAVID L. COTTON, CPA, CFE, CGFM ♦ CHARLES HAYWARD, CPA, CFE, CISA ♦ MICHAEL W. GILLESPIE, CPA, CFE ♦ CATHERINE L. NOCERA, CPA, CISA
MATTHEW H. JOHNSON, CPA, CISA, CGFM ♦ SAM HADLEY, CPA, CGFM ♦ COLETTE Y. WILSON, CPA ♦ ALAN ROSENTHAL, CPA ♦ LOREN SCHWARTZ, CPA, CISA

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 the U.S. Small Business Administration's (SBA) Federal Agencies' Centralized Trial Balance System (FACTS I) data as of and for the year ended September 30, 2003. Such data are needed for FMS's preparation of consolidated financial statements of the United States Government as of and for the year ended September 30, 2003, 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. 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, 2003.

Application of our procedures identified the following findings:

- Twenty-four rounding differences between amounts in SBA's audited financial statements and amounts presented for FACTS I reporting (Agreed-Upon Procedure Nos. 2, 7, 9, 11, and 15).
- Four differences between line items in SBA's audited financial statements and amounts presented for FACTS I reporting resulting from a difference in presentation (Agreed-Upon Procedure No. 2).
- Two items designated as differences on the FACTS I reporting schedules that did not contain explanations for the differences (Agreed-Upon Procedure No. 14).



- Three differences between FACTS I reporting and amounts included in SBA's audited financial statements resulting from incorrect data entry (Agreed-Upon Procedure Nos. 9 and 15).
- Six insufficient explanations for items identified as differences between FACTS I reporting and amounts included in SBA's audited financial statements (Agreed-Upon Procedure No. 14).

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

Original Signed

Charles Hayward, CPA

February 3, 2004
Alexandria, Virginia

AGREED-UPON PROCEDURES AND FINDINGS

U.S. SMALL BUSINESS ADMINISTRATION FEDERAL AGENCIES' CENTRALIZED TRIAL BALANCE SYSTEM SEPTEMBER 30, 2003

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 No. 1

Trace amounts for split United States 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 No. 2

Trace amounts for each line item in the audited agency consolidated Balance Sheet and consolidated Statement of Changes in Net Position to related amounts on the AGW column titled Amount from Agency Financial Statements provided by the Chief Financial Officer (CFO).

Findings

The following differences are the result of rounding adjustments made for financial statement presentation.

- Consolidated Balance Sheet line item *Intragovernmental Liabilities – Accounts Payable*: The consolidated Balance Sheet shows a balance of \$13,737,000, and the related AGW column shows a balance of \$13,738,000. The difference is \$(1,000).
- Consolidated Balance Sheet line item *Non-Federal Liabilities – Accounts Payable*: The consolidated Balance Sheet shows a balance of \$49,648,000, and the related AGW column shows a balance of \$49,645,000. The difference is \$3,000.
- Consolidated Statement of Changes in Net Position line item *Donations of Cash and Cash Equivalents*: The consolidated Statement of Changes in Net Position shows a balance of \$207,000, and the related AGW column shows a balance of \$208,000. The difference is \$(1,000).

- Consolidated Statement of Changes in Net Position line item *Other – Cumulative Results of Operation*: The consolidated Statement of Changes in Net Position shows a balance of \$(6,878,000), and the related AGW column shows a balance of \$(6,880,000). The difference is \$2,000.
- Consolidated Statement of Changes in Net Position line item *Net Cost of Operations – Cumulative Results of Operations*: The consolidated Statement of Changes in Net Position shows a balance of \$3,171,681,000, and the related AGW column shows a balance of \$3,171,682,000. The difference is \$(1,000).
- 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 \$(4,017,722,000), and the related AGW column shows a balance of \$(4,017,723,000). The difference is \$1,000.
- Consolidated Balance Sheet line item *Cumulative Results of Operations*: The consolidated Balance Sheet shows a balance of \$(4,017,722,000), and the related AGW column shows a balance of \$(4,017,723,000). The difference is \$1000.

The following differences occurred, because the consolidated Statement of Changes in Net Position does not itemize the amount presented as *Beginning Net Position, As Adjusted*; between *Beginning Net Position, October 1*; and *Prior Period Adjustments*; but the related AGW column includes this detail. The amounts presented for *Beginning Net Position, As Adjusted*, for both *Cumulative Results of Operations* and *Unexpended Appropriations* do, however, agree.

- Consolidated Statement of Net Position line item *Beginning Net Position, October 1 – Cumulative Results of Operations*: The consolidated Statement of Changes in Net Position shows a balance of \$0, and the related AGW column shows a balance of \$(1,451,571,000). The difference is \$1,451,571,000.
- Consolidated Statement of Net Position line item *Prior Period Adjustments – Cumulative Results of Operations*: SBA's consolidated Statement of Changes in Net Position shows a balance of \$0, while the same line item under the Net Position AGW column titled *Agency Financial Statements* has a balance of \$(1,246,394,000). The difference is \$1,246,394,000.
- Consolidated Statement of Changes in Net Position line item *Beginning Net Position-October 1 – Unexpended Appropriations*: The consolidated Statement of Changes in Net Position shows a balance of \$0, and the related AGW column shows a balance of \$1,010,483,000. The difference is \$(1,010,483,000).
- Consolidated Statement of Changes in Net Position line item *Prior Period Adjustments – Unexpended Appropriations*: The consolidated Statement of Changes in Net Position shows a balance of \$0, and the related AGW column shows a balance of \$(55,850,000). The difference is \$55,850,000.

Agreed-Upon Procedure No. 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 audited 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 No. 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 No. 5

Read explanations for any differences identified by the CFO for the AGW Balance Sheet and AGW Statement of Changes in Net Position and listed on each AGW. Review explanations for consistency with supporting documentation and with results of audit procedures performed in conjunction with the current-year audit of the related financial statements.

Findings

We noted no differences.

Agreed-Upon Procedure No. 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 No. 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 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.

Findings

We identified the following difference for amounts presented in the consolidated net cost AGW section *Gross Cost Section – Agency Gross Cost* under column *Agency Financial Statement footnotes* resulting from rounding:

The *Community & Reg Development* subfunction stated a balance of \$985,895,000 per the AGW; SBA's financial statement notes stated a balance of \$985,894,000, resulting in a \$1,000 difference.

We identified the following difference for amounts presented in the consolidated net cost AGW section *Exchange Revenue Section – Agency Exchange Revenue* under column *Agency Financial Statement footnotes* resulting from rounding:

The *Community & Reg Development* subfunction stated a balance of \$507,844,000 per the AGW; SBA's financial statement notes stated a balance of \$507,842,000, resulting in a \$2,000 difference.

Agreed-Upon Procedure No. 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 audited agency consolidated financial statements footnote.

Findings

Same as those corresponding with Agreed-Upon Procedure No. 7.

Agreed-Upon Procedure No. 9

Trace 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.

Findings

We identified the following differences for amounts presented in consolidated net cost AGW section *Gross Cost Section – Inter-Departmental Amounts Included in Agency Net Cost* under column *Agency Financial Statement footnotes*:

- The *Community & Reg Development* subfunction stated a balance of \$543,809,000 per the AGW; SBA's related financial statement note did not present the balance. We compared this balance to the amount presented on the agency trial balance. The trial balance stated an amount of \$545,364,000, resulting in a \$(1,555,000) difference.
- The *Commerce and Credit* subfunction stated a balance of \$81,437,000 per the AGW; SBA's related financial statement note did not present the balance. We compared this balance to the amount presented on the agency trial balance. The trial balance stated an amount of \$81,438,000, resulting in a \$(1,000) rounding difference.

Agreed-Upon Procedure No. 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

Same as those corresponding with Agreed-Upon Procedure No. 9.

Agreed-Upon Procedure No. 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 the following difference for amounts presented in consolidated net cost AGW section *Gross Cost Section – Agency Gross Cost* under column *Agency Financial Statement footnotes* resulting from rounding:

The *Total* stated a balance of \$4,232,260,000 per the AGW; SBA’s financial statement notes stated a balance of \$4,232,259,000, resulting in a \$1,000 difference.

We identified the following difference for amounts presented in consolidated net cost AGW section *Exchange Revenue Section – Agency Exchange Revenue* under column *Agency Financial Statement footnotes* resulting from rounding:

The *Total* stated a balance of \$1,060,580,000 per the AGW; SBA’s financial statement notes stated a balance of \$1,060,578,000, resulting in a \$2,000 difference.

We identified the following difference for amounts presented in consolidated net cost AGW section *Exchange Revenue Section – Inter-Departmental Amounts Included in Agency Exchange Revenue* under column *Agency Financial Statement footnotes* resulting from rounding:

The *Total* stated a balance of \$337,328,000 per the AGW; SBA’s financial statement notes stated a balance of \$337,329,000, resulting in a \$(1,000) difference.

Agreed-Upon Procedure No. 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 No. 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 No. 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 audit procedures performed in conjunction with the audit of related financial statements.

Findings

- A sufficient explanation was not provided for the four differences noted between amounts reported per the agency financial statement footnotes and the FACTS I adjusted trial balance for the AGW Statement of Net Cost Gross Cost Section – *Agency Gross Cost*. The explanation provided was "Uncorrected Error in FACTS." As a result, we were unable to determine if the explanation was consistent with results of audit procedures performed in conjunction with the audit of related financial statements.
- A sufficient explanation was not provided for two differences noted between amounts reported per the agency financial statement footnotes and the FACTS I adjusted trial balance for the AGW Statement of Net Cost Exchange Revenue Section – *Agency Exchange Revenue*. The explanation provided was "Uncorrected Error in FACTS." As a result, we were unable to determine if the explanation was consistent with results of audit procedures performed in conjunction with the audit of related financial statements.
- An explanation was not provided for two differences noted between amounts reported per the agency financial statement footnotes and the FACTS I adjusted trial balance for the AGW Statement of Net Cost *Inter-Departmental Amounts Included in Agency Exchange Revenue*. As a result, we were unable to determine if the difference was consistent with the results of audit procedures performed in conjunction with the audit of related financial statements.

Agreed-Upon Procedure No. 15

Trace amounts for each respective line item on the AGW FACTS I NOTES Review Schedule from 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 the following differences:

- FACTS I Note 16, line item *Total Direct Loan Subsidy Expense*: The AGW FACTS I Notes Review Schedule shows a balance of \$302,900,025; the balance in the referenced financial statement note is \$426,698,000. The difference is \$(123,797,975).

- FACTS I Note 18, line item *Subsidy Expense for Post 1991 Loan Guarantee, Total Loan Guarantee Subsidy Expense*: The AGW FACTS I Notes Review Schedule shows a balance of \$2,237,417,000; the balance in the referenced financial statement note is \$2,199,585,000. The difference is \$37,832,000.

We identified the following differences resulting from rounding adjustments made for financial statement presentation:

- FACTS I Note 18, line item *Defaulted Guaranteed Loans Receivable, Gross*: SBA's financial statements show a balance of \$306,614,000, and the AGW FACTS I Notes Review Schedule shows a balance of \$306,613,000. The difference is \$1,000.
- FACTS I Note 18, line item *Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net*: SBA's financial statements show a balance of \$214,924,000, and the AGW FACTS I Notes Review Schedule shows a balance of \$214,925,000. The difference is \$(1,000).
- FACTS I Note 18, line item *Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net*: SBA's financial statements show a balance of \$1,300,234,000, and the AGW FACTS I Notes Review Schedule shows a balance of \$1,300,233,000. The difference is \$1,000.
- FACTS I Note 18, line item *Outstanding Principal of Guaranteed Loans, Face Value*: SBA's financial statements show a balance of \$53,651,619,000, and the AGW FACTS I Notes Review Schedule shows a balance of \$53,651,618,000. The difference is \$1,000.
- FACTS I Note 18, line item *Amount of Outstanding Principal Guaranteed*: SBA's financial statements show a balance of \$43,386,184,000, and the AGW FACTS I Notes Review Schedule shows a balance of \$43,386,183,000. The difference is \$1,000.
- FACTS I Note 19, line item *Unexpended Obligations*: SBA's financial statements show a balance of \$643,939,000, and the AGW FACTS I Notes Review Schedule shows a balance of \$643,940,000. The difference is \$(1,000).
- FACTS I Note 20, line item *Investment in Human Capital, Fiscal 2003 Investments*: SBA's financial statements show a balance of \$163,783,000, and the AGW FACTS I Notes Review Schedule shows a balance of \$163,782,000. The difference is \$1,000.
- FACTS I Note 3, line item *Adjusted Fund Balance with Treasury*: SBA's financial statements show a balance of \$2,798,677,000, and the AGW FACTS I Notes Review Schedule shows a balance of \$2,798,676,000. The difference is \$1,000.
- FACTS I Note 18, line item *Allowance for Loss Method - Value of Assets Related to Direct Loans*: SBA's financial statements show a balance of \$92,163,000, and the AGW FACTS I Notes Review Schedule shows a balance of \$92,161,000. The difference is \$2,000.

- FACTS I Note 18, line item *Direct Loans Obligated After 1991 – Loans Receivable Gross*: SBA's financial statements show a balance of \$3,067,395,000, and the AGW FACTS I Notes Review Schedule shows a balance of \$3,067,396,000. The difference is \$(1,000).
- FACTS I Note 18, line item *Direct Loans Obligated After 1991 – Value of Assets Related to Direct Loans*: SBA's financial statements show a balance of \$2,693,012,000, and the AGW FACTS I Notes Review Schedule shows a balance of \$2,693,016,000. The difference is \$(4,000).

Agreed Upon Procedure No. 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 No. 17

Read the explanations 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 audit procedures performed in conjunction with the audit of the related financial statements.

Findings

We noted no differences.

REPORT DISTRIBUTION

<u>Recipient</u>	<u>No. of Copies (Electronic)</u>
Department of the Treasury, Financial Management Service	1
General Accounting Office	1