

**ADVISORY MEMORANDUM REPORT
ON SBA'S FEDERAL INTRAGOVERNMENTAL
ACTIVITY AND BALANCES DATA**

REPORT NUMBER: 4-08

JANUARY 23, 2004

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

ADVISORY MEMORANDUM
REPORT

Issue Date: January 23, 2004

Number: 4-08

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 Intragovernmental
Activity and Balances Data

Attached is Cotton & Company LLP's agreed-upon procedures report on SBA's Federal intragovernmental activity and balances 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

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INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES

FEDERAL INTRAGOVERNMENTAL ACTIVITY AND BALANCES

Inspector General
U.S. Small Business Administration

Cotton & Company LLP performed the procedures enumerated in the attachment, Agreed-Upon Procedures and Findings, Federal Intragovernmental Activity and Balances. 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 intragovernmental activity and balances 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 responsibility of FMS, GAO, and OMB. Consequently, we make no representation regarding the sufficiency of 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 intragovernmental 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.

Our procedures identified the following findings:

- SBA did not reconcile fiduciary transactions with one federal trading partner for items designated as "Yes" on the CFO Representations for Federal Intragovernmental Activity and Balances (Finding 1a).
- Supporting documentation differed from reconciling amounts for items designated as "Yes" on the CFO Representations (Finding 1a) in two instances.
- SBA did not complete the CFO Representations section to indicate if adjustments were recorded for any of its "Yes" responses. We noted no adjustments in the documentation that SBA provided for its reconciliations (Finding 1b).



- One difference exists between intragovernmental amounts presented in SBA's consolidated financial statements (including footnotes and required supplementary information) and amounts presented in SBA's Federal Agencies' Centralized Trail-Balance System (FACTS) submission (Finding 2).
- Two differences exist between amounts reported on the Status of Disposition of Identified Differences and supporting records (Finding 3).

We were not requested to and did not perform an examination, the objective of which would be the expression of an opinion on intragovernmental 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

January 21, 2004
Alexandria, Virginia

AGREED-UPON PROCEDURES AND FINDINGS

U.S. SMALL BUSINESS ADMINISTRATION FEDERAL INTRAGOVERNMENTAL ACTIVITY AND BALANCES SEPTEMBER 30, 2003

Agreed-Upon Procedures No. 1a and 1b

Review the electronic file provided by the Chief Financial Officer (CFO) of responses to the intragovernmental reciprocal account categories of the CFO Representations for fiduciary and non-fiduciary transactions, as described in the Treasury Financial Manual (TFM), Section 4060.70. For each "Yes response, perform the following steps:

- a. Compare the amounts in such reconciliations to supporting documentation. Indicate if no differences were found. Explain any differences in detail.
- b. Trace adjustments, if any, identified in the reconciliation process that require recognition on the books of the reporting entity (rather than on the books of the trading partner) to documentation supporting the recording of such amounts in the agency's financial records. Indicate if no differences were found. Explain any differences in detail.

Findings

- a. We noted one instance in which SBA did not reconcile fiduciary transactions for a trading partner designated as "Yes" on the CFO Representations for Federal Intragovernmental Activity and Balances. We also noted two instances where supporting documentation differed from reconciliation amounts. These are detailed below.

Representation A.6. *Interest expense with trading partners, Treasury and Federal Financing Bank (FFB), interest receivable.* SBA's representation indicates that these amounts were reconciled, but its Status of Disposition of Identified Differences report shows a \$29,577,886 unreconciled difference between SBA and Treasury. We agreed amounts used in the calculation of the unreconciled differences to SBA's general ledger and to Treasury's confirmations.

Representation A.9. *Agencies' employee benefit program activity and balances for the Federal retirement, health benefits, and life insurance programs with the Office of Personnel Management (OPM).* The balance confirmed is \$1,004,555.04 for Standard General Ledger (SGL) 2213. SBA's general ledger, however, supports a \$196,340.02 balance in this account for OPM at September 30, 2003.

Representation A.10. *Agencies' employee benefit program activity and balances for the Federal retirement health benefits and life insurance programs with the OPM.* The balance confirmed for SGL 6400 is \$35,905,449.47. SBA's general ledger, however, shows a \$35,100,295.20 balance in this account for OPM at September 30, 2003.

- b. SBA did not complete the CFO Representations section to indicate if adjustments were recorded for any of its "Yes" responses. We noted no adjustments in the documentation that SBA provided for its reconciliations.

Agreed-Upon Procedure No. 2

Review the electronic file of responses to the CFO Representations for reconciliation of intragovernmental activity and balances provided by the CFO. For each "Yes" response, perform the following step: Compare the amounts, excluding intradepartmental activity and balances, in the audited agency consolidated financial statements to such amounts in the final FACTS I and/or FACTS I NOTES reports. Indicate if no differences were found. Explain any differences in detail.

Finding

We noted one difference. Account 2213F (OPM) was reported as \$5,708,370.30 in the FACTS I submission, but as \$5,707,000 in the audited agency financial statements. We attribute this \$1,370 difference to rounding in the financial statement preparation process.

Agreed-Upon Procedure No. 3

Review the Status of Disposition of Identified Differences form on intragovernmental activity reported in FACTS I provided by the CFO. Comment regarding agreement or disagreement with data provided by the CFO.

Findings

Results of comparing the Status of Disposition of Identified Differences with SBA's general ledger and with other documentation supporting the reconciliation process are shown on the following table.

Amount	Agreement or Disagreement with Data Provided by CFO
\$12,642,783	This amount agrees to SBA's general ledger at September 30, 2003 (\$12,642,782.91 in account 1399 for trading partner 20).
\$29,577,886	This amount agrees to SBA's general ledger at September 30, 2003, and confirmations from Treasury.
\$50,875,632	SBA's reconciliation schedule as of September 30, 2003, shows \$51,116,374.46 for GSA, not \$50,875,632. SBA attributed the differences to adjustments made after the reconciliation was prepared.
\$19,569,504	SBA's reconciliation schedule as of September 30, 2003, shows \$19,847,478 for OPM, not \$19,569,504. SBA attributed the differences to adjustments made after the reconciliation was prepared.

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