



Office of Inspector General

December 2008
Report No. AUD-09-001

**Verification of the FDIC's Data
Submissions through the
Governmentwide Financial Report
System as of September 30, 2008**

ATTESTATION REPORT





DATE: December 17, 2008

MEMORANDUM TO: Bret D. Edwards, Director
Division of Finance

FROM: /Signed/
Russell A. Rau
Assistant Inspector General for Audits

SUBJECT: *Verification of the FDIC's Data Submissions through the
Governmentwide Financial Report System as of
September 30, 2008 (Report No. AUD-09-001)*

The subject final report is provided for your information and use. This report presents the results of our attestation engagement to verify the FDIC's financial data submissions through the Department of the Treasury's Governmentwide Financial Report System. The report does not contain recommendations, thus a response was not required. The Division of Finance elected not to provide a written response.

If you have questions concerning the report, please contact me at (703) 562-6350 or Allan Sherman, Senior Program Specialist, at (703) 562-6349. We appreciate the courtesies extended to our staff.

Attachment

cc: James H. Angel, Jr., Director, OERM
Steven O. App, CFO



DATE: December 17, 2008

MEMORANDUM TO: Bret D. Edwards, Director
Division of Finance

FROM: /Signed/
Russell A. Rau
Assistant Inspector General for Audits

SUBJECT: *Verification of the FDIC's Data Submissions through the Governmentwide Financial Report System as of September 30, 2008* (Report No. AUD-09-001)

This report presents the results of our attestation engagement to verify the FDIC's financial data submissions through the Department of the Treasury's (Treasury) Governmentwide Financial Report System (GFRS). This report is intended solely for use by the Treasury, the FDIC, and those parties that have an adequate understanding of the criteria governing the procedures performed. Federal agencies, including the FDIC, were required to provide the Treasury with financial information for the fiscal yearend September 30, 2008 for the purpose of preparing the annual Financial Report of the United States Government (FR). The *Treasury Financial Manual* (TFM) describes the roles of agency Chief Financial Officers (CFO) and Inspectors General (IG) in processing such financial information through the GFRS. The FDIC's CFO is responsible for the proper recording of the Corporation's financial information in the GFRS. The FDIC's IG is responsible for performing certain procedures to facilitate the processing of the FDIC's financial information through the GFRS.

This assignment was an agreed-upon procedures (AUP) level attestation engagement performed in accordance with generally accepted government auditing standards. Our attestation objective was to verify that FDIC summary accounting information, prepared using United States Standard General Ledger (USSGL) accounts, agreed with the FDIC's summary account information, prepared using the FDIC's general ledger accounts, and was accurately entered into the GFRS financial statement modules as of September 30, 2008 and for the fiscal year then ended. The TFM did not require the FDIC Office of Inspector General (OIG) to perform, and we did not perform, a financial statement audit, the objective of which would have been to provide an independent assessment of, and reasonable assurance about, whether an entity's financial condition, results, and use of resources are presented fairly in accordance with recognized criteria. The AUPs described in the above objective were established by the Division of Finance (DOF) and the OIG. In contrast to prior years' GFRS engagements, the AUPs did not include procedures related to:

- **Intragovernmental Material Differences.** The Office of Management and Budget (OMB) Memorandum M-08-24, *Technical Amendments to OMB Bulletin No. 07-04, Audit Requirements for Federal Financial Statements*, dated August 25, 2008, eliminated the requirement for agency IGs to perform procedures pertaining to material differences in intragovernmental balances.
- **Footnote Disclosures in the GFRS.** The GFRS collects footnote information necessary to complete the FR. However, the FDIC's footnote disclosures in the GFRS as of September 30, 2008 were interim and unaudited because the FDIC's financial reporting period ends on December 31st.
- **General Ledger's Cross-walk.** Although we verified that amounts on the FDIC-prepared general ledger summaries were reflected in the GFRS, we did not assess the FDIC's processes for cross-walking its general ledger account balances to the USSGL accounts used by the Treasury for compiling GFRS data.

BACKGROUND

Section 405 of the Government Management Reform Act of 1994 requires the Secretary of the Treasury to annually prepare and submit to the President and the Congress audited financial statements for the preceding fiscal year. The audited financial statements must cover all accounts and associated activities of the executive branch of the Federal Government. Section 114 of the Budget and Accounting Procedures Act of 1950 requires each executive branch agency to furnish financial and operational information as the Secretary of the Treasury may stipulate.

On May 30, 2008, the Treasury issued Transmittal Letter No. 644, *Treasury Financial Manual (TFM)*, describing how agencies must provide data to be used in preparing the FR. Among other things, the TFM requires agencies to submit financial data using the Financial Management Service's fiscal 2008 Closing Package methodology and the federal intragovernmental transactions process.¹ According to the TFM, the Closing Package process was developed to capture each agency's Closing Package information and link the agencies' comparative, audited consolidated, department-level financial statements to the FR. The CFO of each verifying agency was required to prepare and submit the Closing Package data for fiscal years 2008 and 2007 through the GFRS and verify that the financial data submitted through the GFRS is consistent with the agencies' comparative, audited consolidated, department-level financial statements. The IG of each verifying agency, except those agencies with a yearend other than September 30th, was required to opine on the Closing Package data entered by the CFO into the GFRS as to its consistency with the comparative, audited consolidated, departmental-level financial statements. Because the FDIC has a yearend other than September 30th, the FDIC OIG was not required to, and did not, opine on the Corporation's unaudited September 30, 2008 fiscal yearend financial information.²

¹ The Financial Management Service is a bureau of the Treasury.

² According to Section 17 of the Federal Deposit Insurance Act, the Government Accountability Office (GAO) is required to audit the FDIC's financial transactions annually.

RESULTS OF ATTESTATION

In accordance with our AUPs, we verified that the FDIC's summary account information, prepared using the USSGL accounts, agreed with summary information from the FDIC's general ledger accounts and was accurately entered into the GFRS financial statement modules as of September 30, 2008 and for the fiscal year then ended. However, we did note that Contributed Capital of \$127,531,741,537 reported by the FDIC in the GFRS Income Statement for the fiscal year ended September 30, 2008 was not derived from the FDIC's general ledger accounts. DOF representatives told us that they entered certain financial information into the GFRS that was not derived from the FDIC's general ledger accounts in order to accommodate calculations made by the GFRS financial statement templates. Our disclaimer³ in the GFRS includes narrative indicating that the referenced amount was not derived from the FDIC's general ledger accounts. The FDIC separately reported Contributed Capital of \$127,269,216,557 in the GFRS Balance Sheet for the fiscal year ended September 30, 2008. That amount was derived from the FDIC's general ledger accounts.

The FDIC's December 31, 2007 yearend data submitted through the GFRS was audited by the GAO and received an unqualified opinion. The AUPs described in the attestation objective included verification of those December 31, 2007 audited financial statement balances submitted through the GFRS.

MANAGEMENT RESPONSE

We made no recommendations, thus a response was not required, and DOF elected not to provide a written response.

³ The *Government Auditing Standards* state that an auditor must either express an opinion regarding the financial statements, taken as a whole, or state that an opinion cannot be expressed in the auditor's report. The GFRS does not provide an option for an auditor to state that an opinion cannot be expressed. Therefore, based on the AUPs, we issued a disclaimer of opinion on the FDIC financial data submitted in the GFRS for September 30, 2008 and the fiscal year then ended.