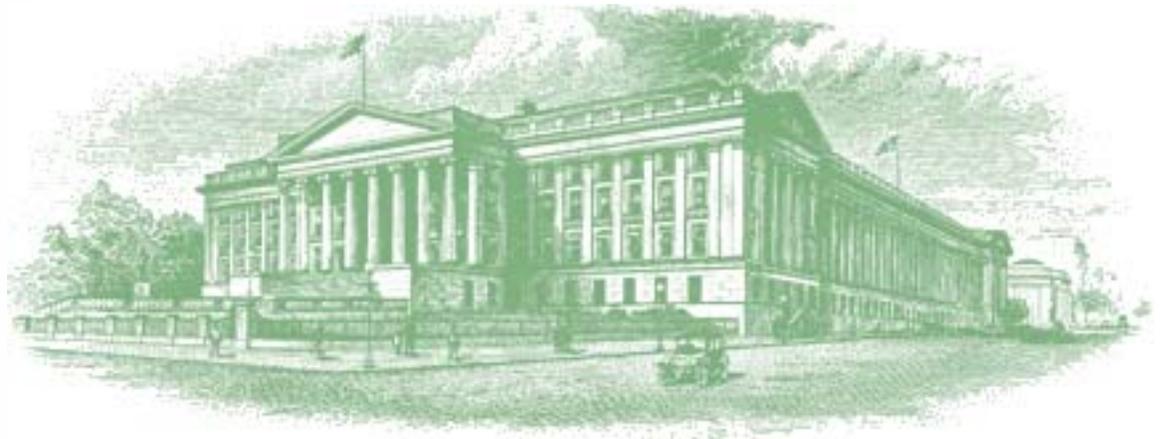




Audit Report



OIG-05-014

Agreed-Upon Procedures for the Department of the Treasury's
Fiscal Year 2004 Intragovernmental Activity and Balances

December 2, 2004

Office of
Inspector General

Department of the Treasury

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**Independent Accountants' Report on Applying Agreed-Upon
Procedures for Intragovernmental Activity and Balances**



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 2, 2004

MEMORANDUM FOR FAYE McCREARY
DIRECTOR, FINANCIAL REPORTS DIVISION
FINANCIAL MANAGEMENT SERVICE

GARY T. ENGEL
DIRECTOR, FINANCIAL MANAGEMENT AND ASSURANCE
GOVERNMENT ACCOUNTABILITY OFFICE

BARRY K. HUDSON
ACTING CHIEF FINANCIAL OFFICER
DEPARTMENT OF THE TREASURY

FROM: William H. Pugh *William H. Pugh*
Deputy Assistant Inspector General
for Financial Management and Information
Technology Audits

SUBJECT: Agreed-Upon Procedures for the Department of the
Treasury's Fiscal Year 2004 Intragovernmental
Activity and Balances

I am pleased to transmit the attached report on agreed-upon procedures for the Department of the Treasury's (Department) fiscal year (FY) 2004 intragovernmental activity and balances. We contracted with the independent certified public accounting firm of KPMG LLP to perform the agreed-upon procedures for the Department's FY 2004 intragovernmental activity and balances. The contract required that the agreed-upon procedures be performed in accordance with generally accepted government auditing standards. KPMG LLP issued an Independent Accountants' Report on Applying Agreed-Upon Procedures for Intragovernmental Activity and Balances, which is incorporated in the attachment.

In connection with the contract, we reviewed KPMG LLP's report and related documentation and inquired of its representatives. Our review, as differentiated from an agreed-upon procedures engagement performed in accordance with generally accepted government auditing standards, was not intended to enable us to report, and we do not report, findings based on agreed-upon procedures performed on the Department's intragovernmental activity and balances. KPMG LLP is responsible for the attached report dated December 2, 2004 and the conclusions expressed in it. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at
(202) 927-5400, or a member of your staff may contact
Mike Fitzgerald, Director, Financial Audits at (202) 927-5789.

Attachment

**Independent Accountants' Report on Applying Agreed-Upon
Procedures for Intragovernmental Activity and Balances**



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Accountants' Report on Applying Agreed-Upon Procedures for Intragovernmental Activity and Balances

Inspector General,
U.S. Department of the Treasury

We have performed the procedures enumerated in Exhibit A (attached), which were based on the procedures stated in the U.S. Department of Treasury's (Treasury) *Treasury Financial Manual*, Volume 1, Part 2, Chapter 4700, Section 4705.75 "IG Agreed-Upon Procedures for Federal Intragovernmental Activity and Balances", solely to assist the U.S. Department of the Treasury (Department) Office of Inspector General (OIG) in evaluating the Department's assertion that it properly reported intragovernmental activity and balances in the Department's consolidated financial statements as of and for the year ended September 30, 2004, and in its *2004 Financial Report of the United States Government Closing Package (Closing Package)*. The Department's management is responsible for the proper accounting, presentation, and reporting of its intragovernmental activity and balances, financial statements, and *Closing Package*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States. These procedures were based on procedures agreed to by, and the sufficiency of these procedures is solely the responsibility of, the Office of Management and Budget (OMB), the Treasury Financial Management Service (FMS), and the U.S. Government Accountability Office (GAO). Consequently, we make no representations regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our associated findings are presented in Exhibit A.

We were not engaged to, and did not, conduct an audit of the information addressed herein, the objective of which would be the expression of an opinion on such information. 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 the Department, the Department's OIG, OMB, FMS, and GAO, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 2, 2004

**U.S. Department of the Treasury
Agreed-Upon Procedures for
Intragovernmental Activity and Balances**

Procedures and Findings**Procedure 1**

Obtain the following *Closing Package* trading partner data for intragovernmental activity/balances supporting the *Closing Package*:

- Reclassified Balance Sheet's Federal Assets and Liabilities
- Reclassified Statement of Net Cost's Federal Gross Cost and Federal Earned Revenue; and
- Reclassified Statement of Changes in Net Position's Federal Nonexchange Revenue and Budgetary and Other Financing Sources.

Finding 1

We obtained the following Trading Partner Identification Screen Reports (hereafter referred to as the "Schedules") for intragovernmental activity/balances supporting the Closing Package:

A. Reclassified Balance Sheet's Federal Assets and Liabilities

1. Accounts Receivable
2. Interest Receivable
3. Other Assets (without reciprocals)
4. Loans Receivable
5. Advances from Others and Prepayments
6. Accounts Payable
7. Debt
8. Interest Payable
9. Benefit Program Contributions Payable
10. Advances from Others and Deferred Credits
11. Other Liabilities (without reciprocals)

B. Reclassified Statement of Net Cost's Federal Gross Cost and Federal Earned Revenue

1. Imputed Costs
2. Benefit Program Costs Related to Exchange Transactions
3. Buy/Sell Costs
4. Federal Securities Interest Expense Related to Exchange Transactions
5. Borrowing Losses
6. Other Costs (without reciprocals)
7. Buy/Sell Revenue
8. Borrowing Gains
9. Borrowing Interest and Other Expenses Related to Exchange Transactions
10. Borrowing Interest and Other Revenue (Exchange)

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C. Reclassified Statement of Changes in Net Position's Federal Nonexchange Revenue and Budgetary and Other Financing Sources

1. Other Taxes and Receipts
2. Unexpended Appropriations Transferred In
3. Unexpended Appropriations Transferred Out
4. Appropriation Transfers Out
5. Other Financing Sources
6. Transfers-in Without Reimbursement
7. Transfers-out Without Reimbursement
8. Imputed Financing Source
9. Other Financing Sources

Procedure 2

Compare the Schedules' identified intragovernmental transactions *Closing Package* trading partner data by Federal line item totals and/or trading partner activity/balances to the agency general ledger and the audited *Closing Package* financial statements. Identify differences.

Finding 2

A. We compared the fiscal year (FY) 2004 balances for each trading partner from the Schedules to the Department's general ledger and identified the following differences:

Closing Package Line Description	Trading Partner	Balance Per Schedule (000's)	Balance Per General Ledger (000's)	Difference (000's)	Explanation
Other Assets (without reciprocals)	Treasury General Fund	\$ 7,144,056,000	\$ 7,420,491,062	\$ (276,435,062)	1
Interest Receivable	Department of Transportation	\$ -	\$ 2,494	\$ (2,494)	2

Note: Rounding differences of 1/(1) between the Schedule and the General Ledger were not reported in the above chart.

B. We communicated the differences noted above to the Department and requested explanations for the differences. We received the following explanations from the Department:

1. The difference is due to the netting of Total Due To the General Fund with the Total Due from the General Fund in the Schedule. The balance per the General Ledger for Other Assets is shown gross.
2. The Department considered the difference to be immaterial.

No additional procedures were performed with respect to management's explanations as to the reasons for differences.

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C. We compared the total fiscal year 2004 balance for each Federal line item from the Schedules to the Department’s audited Closing Package financial statements and identified no differences.

Procedure 3

Compare trading partner activities/balances from the Schedules to the *Closing Package vs. 4th Qtr. Comparative Data for FY 2004 Report* and *CFO Representations*. For items where agency reporting differences exist, compare the explanations to supporting documentation and identify any differences.

Finding 3

A. We compared the fiscal year 2004 balances by trading partner from the Schedules to the balances reported in the column entitled “Agency Reported Amount – Closing Package” of the “Closing Package vs. 4th Qtr. Comparative Data for FY 2004 Report” (i.e., report from the Intra-governmental Reporting and Analysis System) and noted the following difference.

Category	Closing Package Line Item Description	Trading Partner	Balance Per Schedule (000's)	Balance Per Closing Package vs. 4th Qtr. Comparative Report (000's)	Difference (000's)	Reference
22	Accounts Receivable Other Liabilites	Department of Interior	\$ 181,000	181,000	6,000	1
		Department of Interior	6,000			
		Total	187,000			

B. We communicated the difference noted above to the Department and requested explanations and supporting documentation for the difference. We received the following explanations and supporting documentation from the Department:

1. The Department indicated the difference resulted because the balance reported in the “Closing Package vs. 4th Quarter Comparative Data for FY 2004 Report” excludes balances from standard general ledger account 2980; however, the balance reported in the Schedule includes this account balance.

C. We compared the balances by trading partner from the Schedules to the “CFO Representations” without exception.

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Procedure 4

Obtain Treasury Financial Management Service's (FMS') comparative *Intragovernmental Closing Package Comparative Status of Disposition Report for FYE 2004 (FMS Comparative Report)* detailing intragovernmental activities/balances. Compare the differences between the agency and its trading partners by reciprocal category/line-item from *FMS' Comparative Reports* to explanations from agency supporting documentation. Identify any inconsistencies in amounts or explanations between the *FMS' Comparative Reports* and agency supporting documentation. In the event of nonreporting by trading partners, as indicated in the footer section of *FMS' Comparative Report*, identify that the difference is due to a nonreporting partner and do not proceed further with the review of the differences.

Finding 4

We obtained FMS' Comparative Report for intragovernmental activities/balances. We compared the "Material Differences" between the agency and its trading partners by reciprocal category/line-item from FMS' Comparative Report to supporting documentation provided by the Department. Except for the instance identified in item Q below, we noted no differences.

We identified the following amounts that were detailed on the FMS' Comparative Reports as "Unknown/Unreconciled" differences. The Department was unable to provide supporting documentation related to these differences, and we did not perform any additional procedures with respect to the differences.

- A. *Partner 14 – Department of the Interior, RC 19 – Appropriation Transfers In/Out in the amount of \$7,973,000.*
- B. *Partner 15 – Department of Justice, RC 01 – Investments/Debt in the amount of \$594,623,000.*
- C. *Partner 16 – Department of Labor, RC 17 – Loans Receivable/Payable in the amount of \$443,000.*
- D. *Partner 16R – Pension Benefit Guaranty Corporation, RC 03 – Investment Interest in the amount of \$1,118,000,000.*
- E. *Partner 25 – National Credit Union Administration, RC 02 – Interest Receivable/Payable in the amount of \$434,600.*
- F. *Partner 51 – Federal Deposit Insurance Corporation, RC 01 - Investments/Debt in the amount of \$969,451,575.*
- G. *Partner 51 – Federal Deposit Insurance Corporation, RC 03 - Investment Interest in the amount of \$2,122,000,000.*
- H. *Partner 69 – Department of Transportation, RC 01 – Investments/Debt in the amount of \$50,518,000.*

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- I. Partner 73 – Small Business Administration, RC 17 – Loans Receivable/Payable in the amount of \$1,974,000.*
- J. Partner 75 – Department of Health and Human Services, RC 03 – Investment Interest in the amount \$142,000,000.*
- K. Partner 78R – Farm Credit System Insurance Corp, RC 01 – Investments/Debt in the amount of \$17,437,000.*
- L. Partner 83 – Export-Import Bank of the United States, RC 05 – Borrowings Interest in the amount of \$400,000.*
- M. Partner 89 – Department of Energy, RC 01 – Investments/Debt in the amount of \$1,037,000,000.*
- N. Partner 89 – Department of Energy, RC 03 – Investment Interest in the amount of \$1,370,000,000.*
- O. Partner 91 – Department of Education, RC 05 – Borrowings Interest in the amount of \$2,000,000.*
- P. Partner 97 – Office of the Secretary of Defense/Defense Agencies, RC 17 – Loans Receivable/Payable in the amount of \$1,465,300,000.*

We identified the following differences due to nonreporting partners and did not perform any additional procedures with respect to the differences.

- Q. Partner 33R – Smithsonian Institution, RC 17 – Loans Receivable/Payable in the amount of \$21,000,000.*

Procedure 5

Identify and include copies of internal control findings related to intragovernmental activities from the financial statement audit, including items cited in the management letter. Also, identify and report auditor-proposed intragovernmental adjustments that were waived by the agency.

Finding 5

- A. There were no internal control findings related to the Department’s accounting for intragovernmental activities identified in the fiscal year 2004 consolidated financial statement audit.*
- B. There were no auditor-proposed intragovernmental adjustments that were waived by the Department.*