

Office of Inspector General



Office of Audits and Evaluations
Report No. AUD-12-005

**The FDIC's Data Submissions through the
Governmentwide Financial Report System
as of September 30, 2011**

January 2012



Executive Summary

The FDIC's Data Submissions through the Governmentwide Financial Report System as of September 30, 2011

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Why We Did The Audit

Many agencies, including the FDIC, were required to provide financial information for the fiscal year ended September 30, 2011 to the Department of the Treasury (Treasury) for inclusion in the annual Financial Report of the United States Government (the 2011 Financial Report). Such agencies are referred to as "verifying agencies." The *Treasury Financial Manual* (TFM) describes the roles of agency Chief Financial Officers (CFO) and Inspectors General (IG) in processing such information through the Treasury's automated financial consolidation and reporting tool called the Governmentwide Financial Report System (GFRS). Because the FDIC operates on a calendar-year basis, the FDIC IG's role was limited to providing audit assurance on material line items (but not opining on agency financial information), submitting the FDIC's financial information through the GFRS, and providing copies of certain documentation to various federal entities.

The Government Accountability Office (GAO) conducts the annual audit of the financial statements of the Deposit Insurance Fund and the Federal Savings and Loan Insurance Corporation Resolution Fund. GAO officials advised us that they would provide audit assurance on material line items if deemed essential by the Treasury. Accordingly, our performance audit objective was to verify whether the FDIC's summary general ledger information agreed with summary information entered into the GFRS for the fiscal year ended September 30, 2011. This audit did not constitute an audit of financial statements in accordance with generally accepted government auditing standards. As such, we did not render an opinion on the FDIC's internal controls over financial reporting or over its financial management systems.

Background

Treasury's Financial Management Service maintains the TFM, which is the official publication for financial accounting and reporting of all receipts and disbursements in the federal government. The TFM describes, among other things, how agencies were to provide data for the 2011 Financial Report using the GFRS. The TFM includes a prescribed format of financial statements (referred to as a Closing Package methodology) to be used in preparing the 2011 Financial Report. Verifying agencies, including the FDIC, were required to submit their financial information using the Closing Package methodology within the GFRS. The CFO of each verifying agency was required to prepare and submit the Closing Package information for FYs 2011 and 2010 in the GFRS at the department level. The CFOs were also required to verify that the financial information submitted in the GFRS was consistent with the agency's comparative, audited consolidated, department-level financial statements. By consolidating the financial information of the DIF and FRF, the FDIC reports at the department level for purposes of the TFM.

Agency IGs were required to opine on their agency's Closing Package data, or apply alternate TFM-prescribed audit procedures if the agency operates with a year end other than September 30 (such as the FDIC). Further, the IGs were required to submit, among other things, the following information to the Treasury, GAO, Office of Management and Budget, and/or Department of Justice:

- *Closing Package Financial Statement Report* (Report No. GF003F),
- *Closing Package Line Reclassification Summary Report* (Report No. GF003G), and
- Agency legal and management representation letters.

Audit Results

We verified that the FDIC's summary general ledger information agreed with summary information entered into the GFRS for the fiscal year ended September 30, 2011. Specifically, the FDIC's summary general ledger information agreed with data contained in the two GFRS reports used to compile the 2011 Financial Report: Report No. GF003F and Report No. GF003G. As part of our work, we verified that the FDIC's data submissions in GFRS for the year ended December 31, 2010 agreed with the Corporation's audited financial statements. In that regard, the GAO expressed an unqualified opinion on the financial statements of the Deposit Insurance Fund and the Federal Savings and Loan Insurance Corporation Resolution Fund in its March 2011 report, entitled *Financial Audit: Federal Deposit Insurance Corporation's Funds 2010 and 2009 Financial Statements* (Report No. GAO-11-412). In addition, we provided the requisite reports and representation letters to the Treasury, GAO, Office of Management and Budget, and Department of Justice in accordance with TFM guidance.

Recommendations and Management Comments

During the course of our field work, we reviewed preliminary financial information prepared by the FDIC for submission in the GFRS. We coordinated closely with the Division of Finance (DOF) and Legal Division officials to resolve any apparent discrepancies in the information before the final Closing Package information was submitted in the GFRS. As a result, our report contains no recommendations. DOF officials expressed general agreement with the audit results and elected not to provide a formal response to a draft of the report.



DATE: January 11, 2012

MEMORANDUM TO: Craig R. Jarvill
Director, Division of Finance

FROM: */Signed/*
Stephen M. Beard
Deputy Inspector General for Audits and Evaluations

SUBJECT: *The FDIC's Data Submissions through the Governmentwide
Financial Report System as of September 30, 2011
(Report No. AUD-12-005)*

Many federal agencies, including the FDIC, were required to provide financial information for the fiscal year (FY) ended September 30, 2011 to the Department of the Treasury (Treasury) for inclusion in the annual Financial Report of the United States Government (the 2011 Financial Report). The *Treasury Financial Manual* (TFM) describes the roles of agency Chief Financial Officers (CFO) and Inspectors General (IG) in processing such information through the Treasury's automated financial consolidation and reporting tool called the Governmentwide Financial Report System (GFRS). The FDIC's CFO, through the Division of Finance (DOF), is responsible for recording the Corporation's financial information in the GFRS. Because the FDIC operates on a calendar-year (CY) basis, the FDIC IG's role was limited to providing audit assurance on material line items (but not opining on agency financial information), submitting the FDIC's financial information through the GFRS, and providing copies of certain documentation to various federal entities.

The Government Accountability Office (GAO) conducts the annual audit of the financial statements of the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation Resolution Fund (FRF).¹ GAO officials advised us that they would provide audit assurance on material line items if deemed essential by the Treasury. Accordingly, our performance audit objective was to verify whether the FDIC's summary general ledger information agreed with summary information entered into the GFRS for the FY ended September 30, 2011. This audit did not constitute an audit of financial statements in accordance with generally accepted government auditing standards. As such, we did not render an opinion on the FDIC's internal controls over financial reporting or over its financial management systems. Details on our objective, scope, and methodology are contained in the Appendix of this report.

¹ Section 17 of the Federal Deposit Insurance Act, as amended, requires the GAO to conduct an annual audit of the financial transactions of the Corporation, DIF, and FRF in accordance with generally accepted government auditing standards. According to the Chief Financial Officers Act of 1990, the GAO may audit a financial statement of a government corporation and such audit will be in lieu of an audit of the financial transactions of the government corporation.

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 an audited financial statement for the preceding FY. This statement 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, as codified, requires executive branch agencies to furnish agency financial and operational information as the Secretary of the Treasury may require.²

Treasury's Financial Management Service (FMS)³ maintains the TFM, which is the official publication for financial accounting and reporting of all receipts and disbursements in the federal government. The TFM, as updated on June 16, 2011, describes, among other things, how agencies were to provide data for the 2011 Financial Report using the GFRS. The chapter includes a prescribed format of financial statements (referred to as a Closing Package methodology) to be used in preparing the 2011 Financial Report. Verifying agencies, including the FDIC, were required to submit their financial information using the Closing Package methodology within the GFRS. The CFO of each verifying agency⁴ was required to prepare and submit the Closing Package information for FYs 2011 and 2010 in the GFRS at the department level.⁵ The CFOs were also required to verify that the financial information submitted in the GFRS was consistent with the agency's comparative, audited consolidated, department-level financial statements.

Agency IGs were required to opine on their agency's Closing Package data, or apply alternate TFM-prescribed audit procedures if the agency operates with a year end other than September 30 (such as the FDIC). Further, the IGs were required to submit, among other things, the following information to the Treasury, GAO, Office of Management and Budget (OMB), and/or Department of Justice:

- *Closing Package Financial Statement Report* (Report No. GF003F),
- *Closing Package Line Reclassification Summary Report* (Report No. GF003G), and
- Agency legal and management representation letters.

The FDIC's legal representation letter addresses any new material loss contingencies and any changes in amounts or categories of contingent losses (i.e., from remote loss to possible loss, or possible loss to probable loss) for the DIF and FRF since December 31, 2010 other than as reflected in the September 30, 2011 financial statements of the FDIC. The FDIC's management representation letter provides representations about the September 30, 2011 financial data in the GFRS with respect to presentation and disclosure, intra-governmental activities, internal control, fraud risks, and compliance with applicable laws and regulations.

² The statutes mentioned in this paragraph have been codified to title 31 of the United States Code. While the FDIC is generally not an executive agency for purposes of title 31, that title makes an exception in this instance.

³ FMS is a bureau within the Treasury. FMS's responsibilities include providing governmentwide accounting and reporting services.

⁴ Verifying agencies, which include the FDIC, are those required by the TFM to verify and submit a Closing Package and provide CFO representations for federal intragovernmental activity and balances.

⁵ By consolidating the financial information of the DIF and FRF, the FDIC reports at the department level for purposes of the TFM.

RESULTS OF AUDIT

We verified that the FDIC's summary general ledger information agreed with summary information entered into the GFRS for the FY ended September 30, 2011. Specifically, the FDIC's summary general ledger information agreed with data contained in the two GFRS reports used to compile the 2011 Financial Report: Report No. GF003F and Report No. GF003G. As part of our work, we verified that the FDIC's data submissions in GFRS for the year ended December 31, 2010 agreed with the Corporation's audited financial statements.⁶ In that regard, the GAO expressed an unqualified opinion on the financial statements of the DIF and FRF in its March 2011 report, entitled *Financial Audit: Federal Deposit Insurance Corporation's Funds 2010 and 2009 Financial Statements* (Report No. GAO-11-412).

During the course of our field work, we reviewed preliminary financial information prepared by the FDIC for submission in the GFRS. We coordinated closely with DOF and Legal Division officials to resolve any apparent discrepancies in the information before the final Closing Package information was submitted in the GFRS. As a result, our report contains no recommendations. In addition, we provided the requisite reports and representation letters to the Treasury, GAO, Office of Management and Budget, and Department of Justice in accordance with TFM guidance.

MANAGEMENT COMMENTS

DOF officials expressed general agreement with the audit results and elected not to provide a formal response to a draft of the report.

⁶ We reviewed certain schedules in the GFRS that the FDIC is required to prepare pertaining to this audited financial information and noted a number of apparent discrepancies. Because the data on these schedules were not used to compile the 2011 Financial Report, we concluded that the apparent differences were inconsequential.

Objective

The audit objective was to verify whether the FDIC's summary general ledger information agreed with summary information entered into the GFRS for the FY ended September 30, 2011.

We conducted this performance audit from October through November 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objective.

Scope and Methodology

Because the FDIC operates on a CY basis, we were not required to opine on the FDIC's financial information for the FY ended September 30, 2011. In accordance with the TFM, the FDIC IG is required to provide audit assurance on FY 2011 material line items. The GAO conducts the annual audit of the FDIC's DIF and FRF financial statements and indicated that it would provide assurance on any material FDIC line items, if deemed essential by the Treasury.

To accomplish the audit objective, we:

- Reviewed relevant requirements in the TFM pertaining to agency IGs, including requirements related to the Closing Package, to gain a proper understanding of those requirements.
- Obtained and reviewed the FDIC's FY 2011 summary general ledger information. Our review included tracing FY 2011 beginning balances to FY 2010 ending balances. We also ensured that the CY 2010 financial information recorded in the summary general ledger agreed with audited amounts.
- Evaluated the reasonableness of significant adjustments made to FY 2011 balances. We used GAO's projected materiality determinations for the FDIC's in-process CY 2011 financial statements audit as a basis for determining the significance of adjustments.
- Verified that the FDIC FY 2011 trial balance retrieved independently from the FDIC's New Financial Environment (NFE) General Ledger agreed with the FY 2011 general ledger trial balance used by DOF to generate GFRS submissions.
- Verified the completeness of the FDIC's "cross-walk" between the NFE summary general ledger accounts and the United States Government Standard General Ledger (USSGL) accounts used to compile GFRS data by tracing the general ledger account balances for FY 2011 to the corresponding USSGL accounts. We did not review specific summary general ledger or USSGL account definitions or assess the appropriateness of the FDIC's determination of the summary general ledger accounts that were assigned to USSGL account classifications.

APPENDIX

- Recalculated (for all GFRS-relevant reporting periods) the consolidation of the financial information of the DIF and FRF, which were required to be reported in the aggregate in the GFRS.
- Interviewed DOF, Legal Division, and GAO staff to resolve apparent discrepancies in financial information or other matters during the audit.
- Completed a final review of the FDIC's GFRS data submission by retrieving the GFRS modules and ensuring that the FY 2011 data contained therein agreed with supporting documentation and that the ending FY 2010 data agreed with the beginning FY 2011 data.