

Office of Inspector General



Office of Audits and Evaluations
Report No. AUD-13-004

**The FDIC's Data Submissions through the
Governmentwide Financial Report System
as of September 30, 2012**

February 2013



Executive Summary

The FDIC's Data Submissions through the Governmentwide Financial Report System as of September 30, 2012

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Why We Did The Audit

Many federal agencies, including the FDIC, were required to provide financial information for the fiscal year (FY) ended September 30, 2012, to the Department of the Treasury (Treasury) for inclusion in the annual Financial Report of the United States Government. 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 reporting tool—the Governmentwide Financial Report System (GFRS). The FDIC's CFO, through the Division of Finance, is responsible for recording the Corporation's financial information in the GFRS. Because the FDIC operates on a calendar-year basis under the TFM, our work was limited to submitting the FDIC's financial information through the GFRS, verifying the consistency of the financial information to the FDIC's general ledger, and providing certain documents to various federal entities. In addition, the Government Accountability Office (GAO), which is responsible for auditing the financial statements of the FDIC, provides audit assurances on material line items as appropriate.

The objective of this performance audit 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, 2012. This audit did not constitute a financial audit. As such, we did not render an opinion on the FDIC's internal controls over financial reporting or over its financial management systems.

Background

Section 405 of the Government Management Reform Act of 1994 (Public Law 103-356) 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. The TFM describes, among other things, how agencies were to provide data for inclusion in the annual Financial Report of the United States Government using the GFRS. Further, the IGs were required to submit certain documents, such as agency legal and management representation letters, to the Treasury, GAO, Office of Management and Budget (OMB), and Department of Justice.

Audit Results

We verified that the FDIC's summary general ledger information agreed with summary information entered into the GFRS for the FY ended September 30, 2012. As part of our work, we verified that the FDIC's data submissions in the GFRS for the year ended December 31, 2011 agreed with the Corporation's audited financial statements. In that regard, the GAO expressed an unqualified opinion on the financial statements of the funds administered by the FDIC in its April 2012 report entitled, *Financial Audit: Federal Deposit Insurance Corporation Funds' 2011 and 2010 Financial Statements* (Report No. GAO-12-416). In addition, we submitted copies of requisite reports and representation letters to the Treasury, GAO, OMB, and Department of Justice in accordance with the TFM.

Management Comments

Our report contains no recommendations and the Director, Division of Finance, elected not to provide a written response.



DATE: February 4, 2013

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, 2012
(Report No. AUD-13-004)*

Many federal agencies, including the FDIC, were required to provide financial information for the fiscal year (FY) ended September 30, 2012, to the Department of the Treasury (Treasury) for inclusion in the annual Financial Report of the United States Government (the 2012 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 reporting tool—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 under the TFM, our work was limited to submitting the FDIC's financial information through the GFRS, verifying the consistency of the financial information to the FDIC's general ledger, and providing certain documents to various federal entities. In addition, the Government Accountability Office (GAO), which is responsible for auditing the financial statements of the FDIC,¹ provides audit assurances on material line items as appropriate.

The objective of this performance audit 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, 2012. This audit did not constitute a financial audit. As such, we did not render an opinion on the FDIC's internal controls over financial reporting or over its financial management systems. Details regarding our audit objective, scope, and methodology are contained in the Appendix of this report.

¹ Section 17 of the Federal Deposit Insurance Act (12 United States Code (U.S.C.) §1827(d)), as amended, requires the GAO to conduct an annual audit of the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation Resolution Fund (FRF) in accordance with generally accepted government auditing standards.

Background

Section 405 of the Government Management Reform Act of 1994 (Public Law 103-356) 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 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 maintains the TFM, which is the official publication for financial accounting and reporting of all receipts and disbursements in the federal Government. Volume I, Part 2, Chapter 4700 of the TFM, which was updated on August 29, 2012, describes, among other things, how agencies were to provide data for the 2012 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 2012 Financial Report. Federal agencies, including the FDIC, were required to submit their financial information using the Closing Package methodology within the GFRS. The CFO of each verifying agency³ was required to prepare and submit the Closing Package information for FYs 2012 and 2011 in the GFRS at the department level.⁴ 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.

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 Closing Package documents to the Treasury, GAO, Office of Management and Budget (OMB), and Department of Justice. Those documents include items such as:

- *The Closing Package Financial Statement Report,*
- *The Closing Package Line Reclassification Summary Report,* and
- Agency legal and management representation letters.

As it pertains to the FDIC, the agency legal representation letter addresses any new material loss contingencies and any changes in amounts or categories of contingent losses (e.g., from remote loss to possible loss, or possible loss to probable loss) for the funds since December 31, 2011, other than as reflected in the September 30, 2012 financial statements. The agency management representation letter provides representations about the September 30, 2012 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 U.S.C. While the FDIC is generally not an executive agency for purposes of Title 31, that Title makes an exception in this instance.

³ Verifying agencies include major agencies covered by the Chief Financial Officers Act (Public Law 101-576) as well as selected agencies, such as the FDIC, if they report any Closing Package Statement line items that are greater than \$1 billion.

⁴ The FDIC is included among the agencies deemed to be departments in the TFM.

Audit Results

We verified that the FDIC's summary general ledger information agreed with summary information entered into the GFRS for the FY ended September 30, 2012. Specifically, the FDIC's summary general ledger information agreed with data contained in GFRS' *Other Comprehensive Basis of Accounting Adjustments Report*, which is used to generate key Closing Package documents, including the *Closing Package Financial Statement Report* and the *Closing Package Line Reclassification Summary Report*. As part of our work, we also verified that the FDIC's data submissions in GFRS for the year ended December 31, 2011 agreed with the Corporation's audited financial statements. In that regard, the GAO expressed an unqualified opinion on the financial statements of the DIF and FRF in its April 2012 report entitled, *Financial Audit: Federal Deposit Insurance Corporation Funds' 2011 and 2010 Financial Statements* (Report No. GAO-12-416).

During the course of our field work, we also submitted copies of requisite reports and representation letters, as well as relevant information regarding subsequent events, to the Treasury, GAO, OMB, and Department of Justice in accordance with TFM guidance.

Corporation Comments and OIG Evaluation

Our report contains no recommendations, and the Director, Division of Finance, elected not to provide a written response.

Objective, Scope, and Methodology

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, 2012.

We conducted this performance audit from October through December 2012 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 under the TFM, our work was limited to submitting the FDIC's financial information through the GFRS, verifying the consistency of the financial information to the FDIC's general ledger, and providing certain documents to various federal entities. We were not required to opine on the FDIC's FY ended September 30, 2012 financial information. In accordance with the TFM, the FDIC IG is required to provide audit assurance on FY 2012 material line items. However, the GAO conducts the annual audit of the financial statements of the FDIC and indicated that it would provide assurances on any material line items as appropriate.

To accomplish the audit objective, we:

- Reviewed relevant requirements in the TFM pertaining to IGs, including requirements related to the Closing Package, to gain a proper understanding of those requirements.
- Obtained and reviewed the FDIC's FY 2012 summary general ledger information. Our review included tracing FY 2012 beginning balances to FY 2011 ending balances and ensuring that the CY 2011 financial information recorded in the summary general ledger agreed with audited amounts.
- Evaluated the reasonableness of significant adjustments made to FY 2012 balances. We used GAO's materiality determinations for the FDIC's FY September 30, 2012 unaudited financial statements as a basis for determining the significance of adjustments.
- Verified that the FDIC FY 2012 trial balance retrieved independently from the FDIC's New Financial Environment (NFE) General Ledger agreed with the FY 2012 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 2012 and CY 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.

- Recalculated (for all GFRS-relevant reporting periods) the consolidation of the DIF and FRF, which was required to be reported in the aggregate in the GFRS.
- Reviewed preliminary financial information prepared by the FDIC for submission in the GFRS. In this regard, we coordinated closely with DOF and Legal Division officials to resolve apparent discrepancies before the Closing Package information was submitted in the GFRS.
- Completed a final review of the FDIC's GFRS data submission by retrieving the GFRS modules and ensuring that the FY 2012 data contained therein agreed with supporting documentation and that FY 2011 data agreed with prior-year data.
- Submitted copies of requisite reports and representation letters to the Treasury, GAO, OMB, and Department of Justice in accordance with the TFM. The TFM also requires that verifying IGs provide the Treasury, GAO, and OMB with information regarding subsequent events occurring after the effective date of agency final legal representation letters through December 21, 2012 that resulted in a change in likelihood or an amount of loss. On December 26, 2012, we notified these three agencies that, according to information provided to us by FDIC Legal Division staff with responsibility for monitoring material loss contingencies for the DIF and FRF, there were no known material changes in likelihood or loss amounts.