

Office of Inspector General



Office of Audits and Evaluations
Report No. AUD-16-002

**The FDIC's Data Submissions through the
Governmentwide Financial Report System
as of September 30, 2015**

February 2016



Executive Summary

The FDIC's Data Submissions through the Governmentwide Financial Report System as of September 30, 2015

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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, 2015, 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 and Inspectors General (IG) in processing such information through the Treasury's automated financial reporting tool – the Governmentwide Financial Report System (GFRS).

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, 2015. 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. The Government Accountability Office (GAO) is responsible for auditing the financial statements of the FDIC and has agreed to provide us with audit assurances, as appropriate, on material line items for the purpose of meeting TFM requirements associated with agencies, like the FDIC, that operate on a calendar-year basis.

Background

Section 405 of the Government Management Reform Act of 1994 (31 United States Code 331(e)(1)) 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 are to provide data for inclusion in the annual Financial Report of the United States Government using the GFRS. Further, the IGs are required to submit certain documents, such as agency legal and management representation letters and relevant subsequent events information, to the Treasury, GAO, Office of Management and Budget (OMB), and/or Department of Justice (DOJ).

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, 2015. As part of our work, we verified that the FDIC's data submissions in the GFRS for the calendar year ended December 31, 2014 agreed with the Corporation's audited financial statements for that year. In that regard, the GAO expressed an unmodified opinion on the financial statements of the funds administered by the FDIC in its February 2015 report entitled, *Financial Audit: Federal Deposit Insurance Corporation Funds' 2014 and 2013 Financial Statements* (Report No. GAO-15-289). In addition, we submitted copies of requisite reports and representation letters to the Treasury, GAO, OMB, and/or DOJ in accordance with the TFM.

Corporation Comments

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



DATE: February 29, 2016

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

FROM: */Signed/*
Mark F. Mulholland
Assistant Inspector General for Audits

SUBJECT: *The FDIC's Data Submissions through the Governmentwide
Financial Report System as of September 30, 2015
(Report No. AUD-16-002)*

Many federal agencies, including the FDIC, were required to provide financial information for the fiscal year (FY) ended September 30, 2015, to the Department of the Treasury (Treasury) for inclusion in the annual Financial Report of the United States Government (the 2015 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 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, 2015. 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. The Government Accountability Office (GAO) is responsible for auditing the financial statements of the FDIC¹ and has agreed to provide us with audit assurances, as appropriate, on material line items for the purpose of meeting TFM requirements associated with agencies, like the FDIC, that operate on a calendar-year (CY) basis. Details regarding our audit objective, scope, and methodology are contained in the Appendix of this report.

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. Section 114 of the Budget and

¹ Section 17(d) 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 Corporation, the Deposit Insurance Fund (DIF), and the Federal Savings and Loan Insurance Corporation Resolution Fund (FRF) in accordance with generally accepted government auditing standards.

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

The TFM describes, among other things, a prescribed format of financial statements (referred to as a Closing Package methodology) to be used in preparing the *Financial Report of the United States Government* (FR). All agencies must provide the Bureau of Fiscal Service with the required fiscal year-end data that is used to prepare the FR. Federal agencies, including the FDIC, were required to submit their financial information using the Closing Package methodology within the GFRS. The CFO of each significant entity³ was required to prepare and submit the Closing Package information for FYs 2015 and 2014 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. The FDIC's CFO, through the Division of Finance (DOF), is responsible for recording the Corporation's financial information in the GFRS.

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 Closing Package documents and relevant subsequent events documentation to the Treasury, GAO, Office of Management and Budget (OMB), and/or Department of Justice (DOJ). 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, 2014, other than as reflected in the FDIC's September 30, 2015 unaudited financial statements. The agency management representation letter provides representations about the September 30, 2015 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 Significant entities 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, 2015. 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 CY ended December 31, 2014 agreed with the Corporation's audited financial statements for that year. In that regard, the GAO expressed an unmodified opinion on the financial statements of the DIF and FRF in its February 2015 report entitled, *Financial Audit: Federal Deposit Insurance Corporation Funds' 2014 and 2013 Financial Statements* (Report No. GAO-15-289).

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/or DOJ in accordance with the TFM.

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, 2015.

We conducted this performance audit from September 2015 through February 2016 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 provides 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, 2015 financial information. In accordance with the TFM, the FDIC IG is required to provide audit assurance on FY 2015 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 2015 summary general ledger information. Our review included tracing FY 2015 beginning balances to FY 2014 ending balances and ensuring that the CY 2014 financial information recorded in the summary general ledger agreed with audited amounts.
- Evaluated the reasonableness of significant adjustments made to FY 2015 balances. We used GAO's materiality determinations for the FDIC's FY September 30, 2015 unaudited financial statements as a basis for determining the significance of adjustments.
- Verified that the FDIC's FY 2015 trial balance retrieved independently from the FDIC's New Financial Environment (NFE) General Ledger agreed with the FY 2015 general ledger trial balance used by DOF to generate GFRS submissions.

Appendix

- 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 2015 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 financial information, 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 any 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 2015 data contained therein agreed with supporting documentation and that FY 2014 data agreed with prior-year data.
- Submitted copies of requisite reports and representation letters to the Treasury, GAO, OMB, and DOJ in accordance with the TFM. The TFM also requires that significant entity IGs provide the Treasury, GAO, and DOJ with information regarding subsequent events occurring after the effective date of agency final legal representation letters through January 29, 2016 that resulted in a change in likelihood or an amount of loss. On February 2, 2016, 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 the likelihood or amount of loss.