

**INDEPENDENT AUDITOR’S REPORT ON THE CLOSING  
PACKAGE FINANCIAL STATEMENTS**  
AUD-FM-19-04

To the Secretary of the U.S. Department of State and the Inspector General

**Report on the Closing Package Financial Statements**

We have audited the accompanying Closing Package Financial Statement Report of the U.S. Department of State (Department), which comprises the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet as of September 30, 2018, and the related GTAS Reconciliation Reports – Reclassified Statement of Net Cost and Reclassified Statement of Changes in Net Position for the year then ended, and the related notes to the financial statements (hereinafter referred to as the “closing package financial statements”). The notes to the financial statements comprise the following:

- The GTAS Closing Package Lines Loaded Report.
- Financial Report (FR) Notes Report (except for the information in the FR Notes Report entitled “2017 – September,” “Prior Year,” “PY,” “Previously Reported,” “Line Item Changes,” and “Threshold” and the information as of and for the year ended September 30, 2017, in the “Text Data” of the FR Notes Reports).
- The accompanying Additional Note No. 31 (except for the information as of and for the year ended September 30, 2017).

***Management’s Responsibility for the Closing Package Financial Statements***

Management is responsible for the preparation and fair presentation of these closing package financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the closing package financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on these closing package financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-01, “Audit Requirements for Federal Financial Statements.” Those standards and OMB Bulletin No. 19-01 require that we plan and perform the audit to obtain reasonable assurance about whether the closing package financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the closing package financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the closing package financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the closing package financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the closing package financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the closing package financial statements referred to above present fairly, in all material respects, the financial position of the Department as of September 30, 2018, and its net costs and changes in net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

We draw attention to Additional Note No. 31 to the closing package financial statements, which describes that the accompanying closing package financial statements were prepared to comply with the requirements of the U.S. Department of the Treasury's *Treasury Financial Manual*, Volume I, Part 2, Chapter 4700 (TFM Chapter 4700), for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office to use in preparing and auditing the *Financial Report of the U.S. Government* and are not intended to be a complete presentation of the consolidated balance sheets of the Department as of September 30, 2018, and the related consolidated statements of net cost, changes in net position, and combined statements of budgetary resources for the year then ended (hereinafter referred to as "general-purpose financial statements"). The notes to the closing package financial statements are those that the U.S. Department of the Treasury deemed relevant to the *Financial Report of the U.S. Government*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Opinion on the General-Purpose Financial Statements***

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 19-01; the general-purpose financial statements of the Department as of September 30, 2018 and

2017, and our report thereon, dated November 15, 2018, expressed an unmodified opinion on those financial statements.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the information in Other Data Reports Nos. 1 (Other Data Info Section A and B only), 8, 9, 17, and 18, except for the information entitled “2017 – September,” “Prior Year,” “PY,” “Previously Reported,” “Line Item Changes,” and “Threshold” and the information as of and for the year ended September 30, 2017, in the “Other Text Data” of the FR Notes Reports, be presented to supplement the basic closing package financial statements.

Such information, although not a part of the closing package financial statements, is required by the Federal Accounting Standards Advisory Board, which considers the information to be an essential part of financial reporting for placing the closing package financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the closing package financial statements, and other knowledge we obtained during our audits of the closing package financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management’s Discussion and Analysis and the Combining Statement of Budgetary Resources that accounting principles generally accepted in the United States of America require to be presented to supplement the closing package financial statements. Such missing information, although not a part of the closing package financial statements, is required by the Federal Accounting Standards Advisory Board, which considers the information to be an essential part of financial reporting for placing the closing package financial statements in an appropriate operational, economic, or historical context. Our opinion on the closing package financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the closing package financial statements as a whole. The information other than that described in the first paragraph and the paragraph labeled *Required Supplementary Information* are presented for purposes of additional analysis in accordance with TFM Chapter 4700 and are not a required part of the closing package financial statements. We read the other information included with the closing package financial statements in order to identify material inconsistencies, if any, with the audited closing package financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the closing package financial statements as of and for the year ended September 30, 2018, and accordingly, we do not express an opinion or provide any assurances on it.

### ***Restriction on Use of the Report on the Closing Package Financial Statements***

This report is intended solely for the information and use of the management of the Department, the U.S. Department of the Treasury, OMB, and the U.S. Government Accountability Office in connection with the preparation and audit of the *Financial Report of the U.S. Government* and is not intended to be and should not be used by anyone other than these specified parties.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards* and OMB Bulletin No. 19-01, we have also issued reports dated November 15, 2018, on our consideration of the Department's internal control over financial reporting and on the results of our tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements that are required to be reported under *Government Auditing Standards*. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 19-01 in considering the Department's internal control and compliance, and should be read in conjunction with this report in considering the results of our audit of the closing package financial statements.

In our audit of the FY 2018 general-purpose financial statements of the Department, we noted significant deficiencies in the following areas:

- Property and Equipment
- Budgetary Accounting
- Validity and Accuracy of Unliquidated Obligations
- Information Technology

Our audit of the FY 2018 general-purpose financial statements of the Department noted reportable instances of noncompliance or potential noncompliance in the following areas:

- Federal Financial Management Improvement Act
- Antideficiency Act
- Prompt Payment Act

### ***Internal Control Over Financial Reporting Specific to the Closing Package Financial Statements***

In planning and performing our audit of the closing package financial statements as of and for the year ended September 30, 2018, we also considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate under the circumstances for the purpose of expressing our opinion on the closing package financial statements but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control for the closing package financial statements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### ***Compliance Specific to the Closing Package Financial Statements***

As part of obtaining reasonable assurance about whether the Department's closing package financial statements are free from material misstatement, we also performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of closing package financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit of the closing package financial statements, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* and OMB Bulletin No. 19-01.

#### ***Purpose of the Other Reporting Required by Government Auditing Standards***

The purpose of the communication provided in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the agency's internal control or on compliance. This communication is an integral part of an audit performed in accordance with government auditing standards generally accepted in the United States of America in considering internal control and compliance with provisions of laws, regulations, contracts, and grant agreements which could have a material effect on the closing package financial statements. Accordingly, this communication is not suitable for any other purpose.



Alexandria, Virginia  
November 15, 2018