

United States General Accounting Office

GAO

Accounting and Information
Management Division

October 1995

**Civil Financial Audits
Issue Area**

Active Assignments

065108/155579

Foreword

This report was prepared primarily to inform Congressional members and key staff of ongoing assignments in the General Accounting Office's Civil Financial Audits issue area. This report contains assignments that were ongoing as of October 2, 1995, and presents a brief background statement and a list of key questions to be answered on each assignment. The report will be issued quarterly.

This report was compiled from information available in GAO's internal management information systems. Because the information was downloaded from computerized data bases intended for internal use, some information may appear in abbreviated form.

If you have questions or would like additional information about assignments listed, please contact Gregory Holloway, Director, on (202) 512-9510; or George Stalcup, Associate Director, on (202) 512-3406.

Contents

	Page
CFO LEADERSHIP	
• EFFECTIVENESS OF IMPLEMENTATION OF THE CHIEF FINANCIAL OFFICER'S ACT OF 1990 AT THE DEPARTMENT OF INTERIOR.	1
• CFO ACT IMPLEMENTATION THE DEPARTMENT OF HEALTH AND HUMAN SERVICES.	1
FINANCIAL AUDITS	
• FINANCIAL AUDIT OF THE INTERNAL REVENUE SERVICE FOR FISCAL YEAR 1995.	1
• CFO IMPLEMENTATION OF THE DEPARTMENT OF AGRICULTURE.	2
• FOLLOW ON REVIEW: CASH FLOW ANALYSIS FOR THE DENVER INTERNATIONAL AIRPORT SYSTEM.	2
<i>New</i> • DEVELOPING AN AUDIT PLAN FOR THE SOCIAL SECURITY ADMINISTRATION'S 75-YEAR ACTUARIAL ESTIMATE OF FUTURE CONTRIBUTIONS AND EXPENDITURES.	2
• HRA 6:FY 1994 FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP) FINANCIAL STATEMENT AUDIT.	3
GOVERNMENT WIDE ISSUES	
<i>New</i> • REVIEW OF IMPLEMENTATION OF THE CASH MANAGEMENT IMPROVEMENT ACT.	3
OTHER ISSUE AREA WORK	
<i>New</i> • D.C. FINANCIAL MANAGEMENT: HEALTH CARE COSTS.	3
<i>New</i> • REVIEW OF THE DEVELOPMENT OF THE D.C. SPORTS ARENA AND NEW WASHINGTON CONVENTION CENTER.	4
• POLICY GUIDANCE ON PREPARING AND AUDITING FINANCIAL STATEMENTS UNDER THE CFO ACT.	4
• REVIEW OF MEDICAL LIABILITY COST STUDIES.	4
• REVIEW OF THE DESIGN AND IMPLICATION OF FEMA'S FINANCIAL MANAGEMENT SYSTEM.	5
<i>New</i> • ALLEGATIONS AT THE FEDERAL OCCUPATIONAL HEALTH PROGRAM (FOH), PUBLIC HEALTH SERVICES (PHS) OF FISCAL MISMANAGEMENT.	5
<i>New</i> • REVIEW OF EPA'S USE OF FIFRA USER FEES.	5
<i>New</i> • REVIEW OF THE BUREAU OF INDIAN AFFAIRS' INDIAN TRUST FUND RECONCILIATION.	6
<i>New</i> • INDIAN TRUST FUND SETTLEMENT LEGISLATION.	6
<i>New</i> • REVISION OF CHAPTER 3: TIME AND ATTENDANCE AND SECTION 5.3 OF TITLE 6 - PAY, LEAVE AND ALLOWANCES.	6

Civil Financial Audits

CFO LEADERSHIP

TITLE: EFFECTIVENESS OF IMPLEMENTATION OF THE CHIEF FINANCIAL OFFICER'S ACT OF 1990 AT THE DEPARTMENT OF INTERIOR (913713)

BACKGROUND : Several broadbased financial management improvement initiatives are underway throughout the federal government, including implementation of the CFO Act and the Government Management Reform Act (S. 2170), many NPR recommendations, actions related to high-risk areas, general management and GPRA reviews, and special areas of congressional interest.

KEY QUESTIONS : 1) Is Interior developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? 2) How is Interior responding to the NPR recommendations and high-risk issues that pertain to its financial mgmt operations? 3) Are financial audits adequate to support the consolidated financial statement audits of the U. S. Government?

TITLE: CFO ACT IMPLEMENTATION THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (913723)

BACKGROUND : The HHS OIG expressed a disclaimer opinion on the FY93 balance sheet of HCFA. HCFA outlays represent 85% of HHS' outlays and 16% of total federal outlays. Other CFO audits completed amounted to 1% of HHS outlays and also resulted in disclaimer opinions. The OIG has expressed concern over their ability to complete the consolidated HHS financial statement audit by 1997.

KEY QUESTIONS : 1) Is HHS developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? 2) Is HHS responding to the NPR recommendations and high-risk issues that pertain to its financial management operations? 3) Is HHS adequately preparing for issuance of government-wide consolidated financial statements?

FINANCIAL AUDITS

TITLE: FINANCIAL AUDIT OF THE INTERNAL REVENUE SERVICE FOR FISCAL YEAR 1995 (901671)

BACKGROUND : Under the CFO Act of 1990, IRS is required to prepare financial statements for fiscal year 1995. This is the fourth year in which GAO will perform the audit of IRS' financial statements.

KEY QUESTIONS : 1) Are the financial management and internal controls effective? 2) Are the financial statements reliable, free of misstatements, and presented in conformity with applicable accounting principles? 3) Is IRS in compliance with laws and regulations?

Civil Financial Audits

FINANCIAL AUDITS

TITLE: CFO IMPLEMENTATION OF THE DEPARTMENT OF AGRICULTURE (913715)

BACKGROUND : USDA is currently undergoing a major reorganization where some or all of the agencies' financial functions will be significantly revised. Concerns have been raised about the organization and authority of the Office of the CFO over USDA's strategy and ensuring the revised financial accounting and information system goals will be accomplished.

KEY QUESTIONS : (1) Is USDA developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? (2) Are financial audits adequate to support the consolidated financial statements audit of the U.S. government? (3) Are actions being taken to resolve high-risk and FMFIA issues and to implement NPR recommendations?

TITLE: FOLLOW ON REVIEW: CASH FLOW ANALYSIS FOR THE DENVER INTERNATIONAL AIRPORT SYSTEM (913721)

BACKGROUND : Senator Hank Brown sent a May 5, 1994, letter asking GAO to perform a two-part review of the impact of delays in opening Denver International Airport (DIA). GAO responded to the first part of the request with a briefing and report. The second part of the request asks GAO to review several financial issues at DIA "shortly after the new airport opens".

KEY QUESTIONS : (1) What are DIA's projected cash flows for the years 1995 through 2004? (2) What is the current financial status of the DIA project, including fund balances, debt service, and expenditures? (3) To what extent does SEC regulation S-X apply to the disclosure of key financial data in the Airport System's Official Statement for the 1994A Bond Issue?

TITLE: DEVELOPING AN AUDIT PLAN FOR THE SOCIAL SECURITY ADMINISTRATION'S 75-YEAR ACTUARIAL ESTIMATE OF FUTURE CONTRIBUTIONS AND EXPENDITURES (913734)

BACKGROUND : GMRA requires GAO audit the U.S. Gov't consolidated financial statement. The Social Security Trust Fund's actuarial projections, which are key to determining the health of the trust fund, will be included in the government-wide financial statement. These estimates have not been previously exposed to independent audit.

KEY QUESTIONS : 1) What are the inflows (i.e., assumptions, participant data) and outflows of each of the three alternatives of SSA's 75-year actuarial estimates for future revenues & expenditures? 2) What is the nature & source of the participant data? 3) Which assumptions incorporated within the model are more volatile/risk-oriented, & subject the estimates to inaccuracy?

Civil Financial Audits

FINANCIAL AUDITS

TITLE: HRA 6:FY 1994 FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP) FINANCIAL STATEMENT AUDIT (917068)

BACKGROUND : The Federal Family Education Loan Program (FFELP) was established in 1965 to provide students with a source of funds to help finance their education. These loans are generally made by commercial lenders who are insured against default by guaranty agencies, who are in turn reinsured by the Department of Education.

KEY QUESTIONS : 1) Are the FFELP's FY 1994 financial statements fairly stated? 2) Are Education's internal controls over the FFELP adequate? 3) Is Education in compliance with laws and regulations related to the FFELP?

GOVERNMENT WIDE ISSUES

TITLE: REVIEW OF IMPLEMENTATION OF THE CASH MANAGEMENT IMPROVEMENT ACT (901673)

BACKGROUND : The purpose of the Cash Management Improvement Act (CMIA) is to ensure greater efficiency, effectiveness, and equity in the exchange of funds between the federal government and the states. The act requires the Treasury to develop CMIA regulations.

KEY QUESTIONS : (1) What are the primary causes of federal/state interest liabilities? (2) Have procedures been developed to ensure accurate interest calculations? (3) Have Treasury, state and federal actions been adequate to implement provisions of CMIA? (4) Have direct costs reimbursements been appropriately submitted? (5) What are the major impediments to implementation of CMIA?

OTHER ISSUE AREA WORK

TITLE: D.C. FINANCIAL MANAGEMENT: HEALTH CARE COSTS (901674)

BACKGROUND : Various proposals addressing the District of Columbia's escalating health care costs, especially Medicaid costs, have been discussed. Since no comprehensive database exists detailing D.C.'s health care costs and demographics, Congress cannot judge the merits of the plans. Congress requested GAO's assistance in gathering cost and demographic data to help in its assessment.

KEY QUESTIONS : (1) What are D.C.'s actual versus budgeted health care expenditures and how are the costs allocated? (2) What is the demographic make-up of D.C.'s health care system? (3) What health care facilities are available in the District?

Civil Financial Audits

OTHER ISSUE AREA WORK

TITLE: REVIEW OF THE DEVELOPMENT OF THE D.C. SPORTS ARENA AND NEW WASHINGTON CONVENTION CENTER (901678)

BACKGROUND : On July 12 and August 9, 1995, GAO testified before House and Senate subcommittees on the D.C. sports arena and convention center projects (GAO/T-AIMD-95-189 and GAO/T-AIMD-95-221). GAO is requested to monitor the costs, financing, and the timeframes for completion of these two projects.

KEY QUESTIONS : For the sports arena: (1) What are the predevelopment costs? (2) How are the costs financed? (3) What revenues are generated from the Arena Tax? For the convention center: (4) What are the predevelopment and capital costs? (5) How are the costs financed? (6) What revenues are generated from new taxes? For both projects, (7) What are the timeframes for completion?

TITLE: POLICY GUIDANCE ON PREPARING AND AUDITING FINANCIAL STATEMENTS UNDER THE CFO ACT (910020)

BACKGROUND : In September 1991, GAO issued policy guidance explaining the CFO Act's provisions (GAO/AIMD-12.19.4). In October 1994, the Government Management Reform Act amended the CFO Act to require audited financial statements for 24 major agencies and the entire government.

KEY QUESTIONS : (1) What led the Congress to amend the CFO Act? (2) What are the act's new requirements? (3) Which agencies are to prepare financial statements? (4) What are the responsibilities of agency financial managers and inspectors general under the act? (5) What accounting and auditing standards are to be used?

TITLE: REVIEW OF MEDICAL LIABILITY COST STUDIES (913722)

BACKGROUND : Recent congressional debate over health care reform included medical liability as an area where reform could lead to potential savings. However, opponents of medical tort reform cite studies indicating that medical liability costs represent only about 1% of hospitals costs. On the basis of these studies, they argued that medical tort reform would not produce significant savings.

KEY QUESTIONS : What are the various types of medical liability costs incurred by hospitals? Do studies indicating that liability costs represent only one percent of hospital costs measure all liability-related expenses? If not, which cost elements were excluded? This assignment will not quantify total hospital liability costs.

Civil Financial Audits

OTHER ISSUE AREA WORK

TITLE: REVIEW OF THE DESIGN AND IMPLICATION OF FEMA'S FINANCIAL MANAGEMENT SYSTEM (913731)

BACKGROUND : FEMA is the central agency within the federal government for emergency planning, preparedness, mitigation, response, and recovery. FEMA is currently implementing a new core financial management system to address its previously identified systems deficiencies. The Congress requested GAO to review the design and implementation of FEMA's new financial management system.

KEY QUESTIONS : (1) Will the new system meet FEMA's identified objectives? (2) Do the identified objectives include the needs of system users for both financial and performance results information? (3) To what extent will the system be operational by FEMA's target date of October 1, 1995?

TITLE: ALLEGATIONS AT THE FEDERAL OCCUPATIONAL HEALTH PROGRAM (FOH), PUBLIC HEALTH SERVICES (PHS) OF FISCAL MISMANAGEMENT (913735)

BACKGROUND : We have been requested to review issues raised by current and prior employees of the Federal Occupational Health Program (FOH) alleging fiscal mismanagement, fraud, waste, and abuse of public trust within the agency. FOH is a component of the Public Health Services (PHS).

KEY QUESTIONS : 1) Is there validity to the allegations of mismanagement of funds at FOH or PHS? 2) Is further action warranted to investigate these allegations?

TITLE: REVIEW OF EPA'S USE OF FIFRA USER FEES (913739)

BACKGROUND : EPA collects around \$14 million annually in user fees from the manufacturers of pesticides to expedite the reregistration of old pesticides. Industry representatives have raised concerns about whether the user fees are being used for intended and legal purposes. Congress asked GAO to review the matter and suggest ways it may improve EPA's accountability for these fees.

KEY QUESTIONS : (1) What information could EPA provide annually to the Congress to demonstrate accountability for the use of the user fees it collects for reregistering pesticides? (2) What is an appropriate and reasonable format for EPA to report this information? (3) How can the Congress assure that the information EPA provides is audited?

Civil Financial Audits

OTHER ISSUE AREA WORK

TITLE: REVIEW OF THE BUREAU OF INDIAN AFFAIRS' INDIAN TRUST FUND RECONCILIATION (913740)

BACKGROUND : On 08/17/95, the Chairman and Vice-Chairman requested that we continue to monitor BIA's efforts to reconcile the Indian Trust Fund accounts and present a complete and meaningful accounting of the reconciliation work, including disclosing limitations, to the tribes.

KEY QUESTIONS : 1) What contract changes are needed to ensure that the certification report will address whether reconciliation procedures resulted in as complete an accounting as possible? 2) How is BIA progressing in completing the reconciliation work and reporting to the tribes? 3) How can reports be structured and worded to clearly communicate reconciliation results?

TITLE: INDIAN TRUST FUND SETTLEMENT LEGISLATION (913741)

BACKGROUND : On March 8, 1996, we testified before the House Interior Appropriations Subcommittee that BIA's Indian trust fund accounts could not be fully reconciled and that the time has come to consider a legislated settlement process. OGC has drafted the requisite legislation.

KEY QUESTIONS : Does the Legislation answer: (1) Has BIA reconciled tribal accounts to the extent practicable? (2) Have account holders had an opportunity to agree/disagree with reported balances? (3) Will the settlement process include BIA & formal negotiation before mediator & arbitration? (4) Will the process permanently resolve disputes? (5) How will settlement costs be funded?

TITLE: REVISION OF CHAPTER 3: TIME AND ATTENDANCE AND SECTION 5.3 OF TITLE 6 - PAY, LEAVE AND ALLOWANCES (922221)

BACKGROUND : Several agencies and the National Performance Review have requested and received GAO interpretations and waivers of T&A requirements of Title 6. Current T&A requirements are in need of revision in light of the current trends to streamline and automate administrative processes.

KEY QUESTIONS : The key question is: How can we minimize the administrative burden of maintaining T&A records; while at the same time, make sure that controls are adequate enough to provide reasonable assurance that payroll related transactions are properly authorized, approved, and documented?
