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Resources, Community, and Economic Development Accounting and Financial Management Issues Issue Area

Active Assignments

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Foreword

This report was prepared primarily to inform Congressional members and key staff of ongoing assignments in the General Accounting Office's Resources, Community, and Economic Development Accounting and Financial Management Issues issue area. This report contains assignments that were ongoing as of August 17, 1998, 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 Linda Calbom, Director, on (202) 512-9508.

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FINANCIAL CONDITION-RAFM

TITLE: **FOREST SERVICE LACK OF FINANCIAL ACCOUNTABILITY (913826)**

KEY QUESTIONS : In July 1996, the USDA IG concluded that the Forest Service's financial statements for FY 1995 were unreliable. Since December 1996 we have monitored financial improvement efforts at the Forest Service and reported and testified on the program and budgetary implications of the agency's financial management shortcomings. 1. What progress has the Forest Service made in correcting its reporting and accounting deficiencies identified in the IG's FY 1995 financial statement audit? 2. What did the IG's FY 1997 financial statement audit disclose about the reliability of the agency's financial information? 3. How is the Forest Service's implementation of the Foundation Financial Information System (FFIS) progressing?

TITLE: **REVIEW OF TVA'S 10-YEAR BUSINESS PLAN (913828)**

KEY QUESTIONS : TVA has developed a 10-year business plan designed to improve its financial position and enable it to meet the challenges of the coming restructured marketplace. As of September 30, 1997, TVA had about $28 billion in total debt and high related interest costs. Given TVA's financial position, GAO was asked to examine whether (1) the assumptions in TVA's plan are reasonable and in line with industry estimates and expectations, (2) the major elements set forth in the plan appear financially viable and achievable, (3) the plan includes all applicable costs, and (4) TVA has detailed action plans in place to implement the key elements of its plan.

TITLE: **GOVERNMENTWIDE ASSESSMENT OF CREDIT REFORM IMPLEMENTATION (919131)**

KEY QUESTIONS : The 1994 Government Management Reform Act of 1994 requires GAO to audit the FY97 consolidated financial statements. As part of our FY97 audit of the loans receivable and the liability for loan guarantees line items, we need to assess the status of credit reform implementation at the five key credit agencies -- VA, SBA, HUD, USDA, and ED. (1) How supportable are the agencies' credit subsidy estimation processes? (2) How reasonable are the credit reform related amounts on the agencies' financial statements? (3) What barriers exist to effectively implementing credit reform? and (4) What action plans have been developed to overcome these barriers?

TITLE: **ENERGY, NET COSTS (BUDGET LINE ITEM 270)FOR THE GOVERNMENTWIDE CONSOLIDATED FINANCIAL STATEMENT AUDIT FOR FY 98 (919217)**

KEY QUESTIONS : The Government Management Reform Act of 1994, which expanded the CFO Act, required GAO to audit the governmentwide consolidated financial statements beginning with FY 1997. As part of the FY 1998 governmentwide consolidated financial audit, our key questions related to the Energy, Net Costs (budget line item 270) are to determine whether: (1) the line item is fairly stated, (2) internal controls are in place to prevent or detect misstatements in the line item, and (3) the government is complying with significant provisions of laws and regulations related to this line item.

TITLE: **NATIONAL RESOURCES AND ENVIRONMENT, NET COSTS (BUDGET LINE ITEM 300) FOR THE GOVERNMENTWIDE CONSOLIDATED FINANCIAL STATEMENT AUDIT FOR FY 98 (919218)**

KEY QUESTIONS : The Government Management Reform Act of 1994, which expanded the CFO Act, required GAO to audit the governmentwide consolidated financial statements beginning with FY 1997. As part of the FY 1998 governmentwide consolidated financial audit, our key questions related to the Natural Resources and Environment, Net Costs (budget line item 300) are to determine whether: (1) the line item is fairly stated, (2) internal controls are in place to prevent or detect misstatements in the line item, and (3) the government is complying with significant provisions of laws and regulations related to this line item.

TITLE: **REVIEW OF THE DEPARTMENT OF ENERGY'S FY 1998 FINANCIAL STATEMENTS AUDIT (919220)**

KEY QUESTIONS : The CFO Act as amended by the Government Management and Reform Act of 1994 requires GAO to annually audit the governmentwide consolidated financial statements (GCFS), which includes the Department of Energy (DOE). DOE received unqualified opinions on its FY 1996 and FY 1997 financial statements. Can GAO use the work of the DOE OIG to opine on the FY 1998 GCFS?

TITLE: **REVIEW OF GOVERNMENTWIDE ENVIRONMENTAL LIABILITIES FY 1998 (919221)**

KEY QUESTIONS : The Government Management and Reform Act of 1994, which expanded the CFO Act, requires GAO to annually audit the governmentwide consolidated financial statements. Our audit objectives are to determine whether: (1) FY 1998 liabilities for environmental remediation costs are fairly stated in governmentwide financial statements, (2) internal controls relating to these liabilities are effectively designed and operating to prevent or detect material misstatements, and, (3) the government is in compliance with significant provisions of laws and regulations related to these liabilities.

TITLE: **HRA 18:HUD FY 98 FINANCIAL AUDIT AND RELATED WORK (919235)**

KEY QUESTIONS : The Government Management Reform Act (GMRA) of 1994 requires GAO to audit the governmentwide consolidated financial statements (CFS) beginning with FY 97, which includes HUD. In FY 97, HUD received a qualified opinion on its financial statements due to its failure to fully implement SFFAS No. 2, Accounting for Direct Loans and Loan Guarantees. This was also a reason for the FY 96 qualified opinion. In addition, GAO has designated HUD as a high risk agency. GAO will (1) review the work of the HUD OIG to render an opinion on the FY 98 CFS and (2) determine progress made in correcting financial management deficiencies including those which prohibited it from receiving an unqualified opinion.

TITLE: **DOI FY 1998 FINANCIAL AUDIT AND RELATED WORK (919245)**

KEY QUESTIONS : The CFO Act as expanded by the Government Management Reform Act of 1994 requires GAO to audit the governmentwide consolidated financial statements (CFS). In FY 1997, the OIG gave an unqualified opinion with two reportable conditions involving system weaknesses at the Bureau of Indian Affairs (BIA) and the Minerals Management Service (MMS). The OIG will also be reporting internal control weaknesses at the bureau level relating to the bureaus financial statements. Can GAO use the work of the DOI OIG to opine on the FY 1998 CFS? Has DOI made progress in correcting financial system weaknesses and internal control weaknesses, respectively?

TITLE: **FY 1998 DEPARTMENT OF TRANSPORTATION FINANCIAL STATEMENT AUDIT (919257)**

KEY QUESTIONS : The Government Management Reform Act of 1994, which expanded the CFO Act, requires GAO to audit the FY 1998 governmentwide consolidated financial statements (CFS). This includes Department of Transportation (DOT) expenses. As reported in FY 1997 CFS, DOT expenses were 78 percent ($30 billion) of the transportation expense line item. In FY 1997, the Office of Inspector General (OIG) issued a disclaimer on DOT's consolidated financial statements primarily due to problems related to property and equipment. (1) Can GAO use the work of the DOT OIG for the FY 1998 CFS Audit? (2) Has DOT made significant progress in correcting financial management deficiencies including those which prohibit it from receiving an unqualified opinion?

TITLE: **COMMITMENT & CONTINGENCIES FOOTNOTE FOR GOVERNMENTWIDE FINANCIAL STATEMENTS (919260)**

KEY QUESTIONS : The Government Management Reform Act of 1994, which expanded the CFO Act, requires GAO to audit the governmentwide consolidated financial statements beginning with FY 1997. In FY 97 commitments and contingencies, a footnote disclosure to the governmentwide financial statements, totalled $3.8 trillion. Determine whether (1) FY 98 governmentwide commitments & contingencies are fairly presented; (2) internal controls relating to commitments & contingencies are effective; and (3) the government is in compliance with significant provisions of laws and regulations related to commitment and contingencies.

TITLE: **COMMERCE AND HOUSING CREDIT LINE ITEM (919262)**

TITLE: **COMMUNITY & REGIONAL DEVELOPMENT LINE ITEM (919263)**

FINANCIAL OPERATIONS-RAFM

TITLE: **FY 1998 CFS AUDIT-TRANSPORTATION EXPENSE LINE ITEM (919234)**

KEY QUESTIONS : The Government Management Reform Act of 1994, which expanded the CFO Act, requires GAO to audit the FY 1998 governmentwide consolidated financial statements (CFS). The transportation expense line item is required to be audited as part of the Statement of Net Cost. Total transportation expenses reported in the FY 1997 CFS were $36.2 million. (1) Are FY 1998 transportation expenses and related accruals fairly stated? (2) Are internal controls relating to these accounts operating effectively? (3) Is the government in compliance with significant provisions of laws and regulations related to these accounts?

TITLE: **GOVERNMENTWIDE LOANS RECEIVAVLE AND LIABILITY FOR LOAN GUARANTEES FOR FY 1997 (919261)**

KEY QUESTIONS : The Government Management Reform Act, which expanded the CFO Act of 1994, requires GAO to audit the governmentwide consolidated financial reports beginning with FY 1997. Both the Loans Receivable and Liability for Loan Guarantees are material line items which totaled about $156.2 billion and $36.7 billion respectively at 9/30/97. Our audit objectives are to determine whether (1) fiscal year 1998 governmentwide loans receivable and related allowance, interest income, and subsidy expense accounts; and liability for loan guarantees are fairly stated; (2) internal controls relating to these accounts are operating effectively; and (3) the government is in compliance with significant provisions of laws and regulations related to these accounts.

TITLE: **HRA 18: REVIEW OF HUD'S TENANT INCOME VERIFICATION ISSUES (919283)**

KEY QUESTIONS : In FY 97 HUD spent over $18 billion to provide rent and operating subsidies through a variety of programs. Of this amount, HUD disclosed in their financial statements for FY97 that over $900 million was potentially misspent due to tenants' failure to fully reporting their income as required. For a number of years, the HUD-OIG has reported that HUD's process for verifying tenant's eligibility and ensuring assistance payments were properly calculated was ineffective. We plan to report on 1) the extent of HUD's excess payments, 2) the current process used to verify tenants eligibility, 3) the internal control weaknesses with HUD's current process, and 4) the actions HUD has taken to address this long-standing internal control weakness and our assessment of those actions.

OTHER ISSUE AREA WORK - RAFM

TITLE: **FOREST SERVICE'S CHANGE OF ACCOUNTING OF ITS ROAD PROSM COSTS (913834)**

KEY QUESTIONS : For fiscal year 1997, the Forest Service (FS) implemented a new federal accounting standard, which requires stewardship land to be expensed rather than capitalized. This change in accounting added $51.4 million to the fiscal year 1997 cost of the FS timber road progam. Federal accounting standards in this area differ from private sector accounting standards which state that land and permanent improvements to land should be capitalized. 1) How are federal accounting standards developed? 2) What was the rationale behind the requirement that stewardship land should be expensed? and 3) Are there alternative ways of presenting the annual cost of stewardship land in the Timber Sales Program Information System report?

TITLE: **REVIEW OF USDA OIG'S AUDIT OF THE FY 1998 FINANCIAL STATEMENTS AND RELATED WORK (919219)**

KEY QUESTIONS : The GMRA of 1994 requires GAO to audit the governmentwide consolidated financial statements beginning with fiscal year 1997, which includes the Department of Agriculture (USDA). GAO has identified several line items related to USDA as being significant to the consolidated financial statements for which we have several assignments underway (job codes 919214 and 919261). GAO has identified other audit objectives that do not relate to specific line items: (1) Can GAO use the work of the USDA Inspector General to opine on the FY 98 governmentwide consolidated financial statements? (2) Has USDA made significant progress in correcting financial management deficiencies including those which prohibited it from receiving an unqualified opinion?