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**United States General Accounting Office**  
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**Management Division**

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**Civil Financial Audits**  
**Issue Area**

**Active Assignments**

# Foreword

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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 August 29, 1997, 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) 512-3406; or Linda Calbom, Director, on (202) 512-8341; or Gloria Jarmon, Associate Director, on (202) 512-2600; or William Hunt, Associate Director, on (202) 512-2711.

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**OTHER ISSUE AREA WORK - CA**

**• SMALL AGENCY PROFILES.**

## Civil Audits

### FINANCIAL CONDITION--GGD & GOV'TWIDE

**TITLE: HRA 2: IRS FISCAL YEAR 1997 CUSTODIAL FINANCIAL STATEMENT AUDIT (901755)**

**KEY QUESTIONS :** (1) Are the IRS Custodial financial statements fairly stated as of and for the year ending September 30, 1997? (2) Are the internal controls effective? (3) Is IRS in compliance with pertinent laws and regulations?

**TITLE: EVALUATE FINANCIAL MANAGEMENT SERVICES' (FMS) EFFORTS TO MANAGE THE FEDERAL GOVERNMENT'S CASH (919014)**

**KEY QUESTIONS :** The Government Management Reform Act of 1994 requires GAO to audit the governmentwide consolidated financial statements for FY97. Because federal cash balances are material to the consolidated financial statements, and Treasury's cash accounts involve high activity, GAO must focus on Treasury's ability to safeguard cash balances and account for cash in a complete and timely manner.

**TITLE: REVIEW OF THE ELIMINATION OF INTRAGOVERNMENTAL TRANSACTIONS ON THE CONSOLIDATED FINANCIAL STATEMENTS (919049)**

**KEY QUESTIONS :** 1) What are the agencies' policies & procedures to account for and report intragov'tal transactions & what are the auditors' procedures for ensuring that these transactions are properly eliminated? 2) How does Treasury - Financial Management Services' (FMS) On-line Payment And Collections (OPAC) system operate & what are agencies' processes and procedures for using the OPAC system? 3) How do these processes & procedures affect the accuracy of the consolidated financial statements and our audit?

**TITLE: HRA 2: AUDIT OF THE INTERNAL REVENUE SERVICE'S CUSTODIAL FINANCIAL STATEMENTS FOR FISCAL YEAR 1996 (919054)**

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

**TITLE: ISSUES RELATED TO TREASURY'S COMPILATION PROCESS FOR THE FY 1997 GOVERNMENTWIDE CONSOLIDATED FINANCIAL STATEMENTS (919068)**

**KEY QUESTIONS :** In accordance with the Chief Financial Officer's Act, Treasury will compile agency financial data to prepare a set of annual consolidated financial statements (CFS) for FY97. GAO will subject the CFS to audit and issue a report on the results. 1) What steps has Treasury taken to ensure that it compiles agencies' data timely and accurately in preparing the governmentwide CFS for FY97? 2) Has Treasury identified and addressed systems and procedural problems from compiling the FY96 prototype CFS using the Adjusted Trial Balance System and the U.S. Standard General Ledger? 3) Has Treasury developed procedures to ensure that agencies understand the reporting guidelines so that Treasury correctly compiles agencies' audited financial data?

## Civil Audits

**TITLE: UPDATE OF THE CONSOLIDATED AUDIT APPROACH PLAN (919100)**

**KEY QUESTIONS :** 1) What significant auditing and accounting issues were identified from the FY 1996 agency audits that will affect the FY 1997 agency audits and the Consolidated Financial Statements; 2) Where can GAO and the agencies work jointly to ensure adequate audit coverage; 3) Are the Inspector General audit plans adequate for FY 1997 or are there gaps that GAO must address; 4) What additional expertise is needed and what GAO assistance is needed?

**TITLE: FINANCIAL STATEMENT AUDIT OF THE PUBLIC DEBT (919106)**

**KEY QUESTIONS :** The Bureau of Public Debt (BPD) is responsible for managing and reporting essentially all of the federal debt and related unamortized discount, interest payable, and interest expense. Federal debt will likely be the largest single item on the consolidated financial statements and has never been subject to a financial audit. GAO's auditing responsibilities for federal debt include supporting the opinion on the governmentwide consolidated statements as well as rendering an opinion on BPD's custodial financial statements. GAO must determine the reasonableness of the reported public debt principal and related line items (unamortized discount, interest payable, and interest expense) as well as report on BPD's internal controls and compliance with laws and regulations relating to these line i

**TITLE: FY 97 FINANCIAL STATEMENT AUDIT FOR CASH LINE ITEM (919112)**

**KEY QUESTIONS :** The 1994 Government Management Reform Act of 1994 (GMRA) requires the General Accounting Office (GAO) to audit the FY 1997 governmentwide consolidated financial statements. Treasury's Financial Management Service (FMS), along with the Federal Reserve as its fiscal agent, functions as the central bank for the federal government. Key Questions: Determine if (1) the federal government's FY 97 ending cash balances are reliable in all material respects, (2) Treasury's internal controls (including EDP) over disbursements and collections are working effectively, and (3) Treasury is in compliance with significant laws and regulations related to the cash line item.

**TITLE: RECONCILIATION OF AGENCIES' FUND BALANCES WITH TREASURY ACCOUNTS (919119)**

**KEY QUESTIONS :** Under provisions in the Government Management Reform Act of 1994, GAO will audit the governmentwide consolidated financial statements for FY 1997. The monthly process of reconciling the agencies' records with Treasury's for the Fund Balances with Treasury accounts is a key internal control over the recording of overall government and individual agency receipts and disbursements. Key Questions: (1) Is Treasury's reconciliation process effective in ensuring that receipts and disbursements are properly reported? (2) Are agencies properly and timely reconciling differences, and, if not, what is the effect on agency and consolidated financial statements and budget reports? (3) What initiatives have Treasury and agencies taken to clear differences and improve the reconciliation process?

## Civil Audits

**TITLE: OTHER MONETARY ASSETS (919121)**

**KEY QUESTIONS :** As part of the governmentwide financial statement audit, we will audit other monetary assets, including the U.S. gold reserves, special drawing rights (SDRs), foreign currencies, and the U.S. reserve position in the International Monetary Fund (IMF). Treasury's OIG audits gold in custody of the Mint, and SDRs and foreign currencies in its audit of the Exchange Stabilization Fund. We will perform a moderate level of review of the OIG's work on the gold reserves, SDRs, and foreign currencies. Gold reserves held by the Federal Reserve Bank of New York have never been audited. We plan to perform research and interviews to determine the nature, purpose, and use of other monetary assets, and to determine if other monetary assets are properly identified, accounted for, safeguarded, and reported.

**TITLE: FY 97 GOVERNMENTWIDE CONSOLIDATED FINANCIAL STATEMENT AUDIT--ADMINISTRATION OF JUSTICE (919126)**

**KEY QUESTIONS :** The Government Management Reform Act of 1994 requires GAO to audit the FY 1997 governmentwide consolidated financial statements. The Administration of Justice line item (approx. \$21 billion for FY 96) is material and involves primarily the Departments of Justice (DOJ) and Treasury, and the Judicial branch. DOJ and Treasury will be audited by the Inspector Generals (IG). We need to assess their work to render an opinion on the CFS. We will assess the work of the IGs, in accordance with FAM 650, to determine whether we can rely on it as our own. We need to determine whether adequate audit procedures are being performed to: (1) audit the administration of justice function; (2) evaluate internal controls; and (3) test compliance with significant provisions of laws and regulations.

**TITLE: COMPLIANCE WITH THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996 (919130)**

**KEY QUESTIONS :** Under the Federal Financial Management Improvement Act of 1996 (FFMIA), agencies are required to maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger (SGL). FFMIA requires GAO to issue a report by 10/1/97 regarding: (1) executive agencies' compliance with the Act's requirements, including whether the federal government's financial statements have been prepared according to applicable accounting standards; and (2) the adequacy of these accounting standards for the federal government.

### FINANCIAL OPERATIONS--GGD & GOV'TWIDE

**TITLE: HRA 1: STATUS ON THE NEW WASHINGTON CONVENTION CENTER DEVELOPMENT (901752)**

**KEY QUESTIONS :** (1) What are the revised construction and predevelopment costs and how do they compare to the budget estimates? (2) How will the construction costs be financed? (3) How much revenues are generated from dedicated taxes earmarked for this project? (4) How much and what progress has been made on the project?

## Civil Audits

**TITLE: CONSOLIDATED FEDERAL FINANCIAL MANAGEMENT SYSTEMS SURVEY - REPORT (901754)**

**KEY QUESTIONS :** 1) Who in Australia made the decision to move to a government-wide system? 2) Did the Australian agencies resist adopting the consolidated system? 3) How long did it take, how much did it cost, and what key lessons should be applied if the U.S. federal government were to adopt a consolidated system?

### FINANCIAL CONDITION--HEHS

**TITLE: PREPARING FOR THE FY 1997 GOVERNMENTWIDE AUDIT OF MEDICARE (919024)**

**KEY QUESTIONS :** In order to plan for the FY 1997 audit, we need to assess whether adequate audit procedures are being performed to (1) audit government-wide Medicare expenditures and the financial status of the Medicare trust funds; (2) evaluate internal controls; and (3) test compliance with significant provisions of laws and regulations related to Medicare expenditures.

**TITLE: HRA 5: HCFA/MEDICARE FINANCIAL STATEMENT AUDIT FISCAL YEAR 1997 (919103)**

**KEY QUESTIONS :** The 1994 Government Management Reform Act of 1994 (GMRA) requires the General Accounting Office (GAO) to audit the FY 1997 governmentwide consolidated financial statements beginning with FY 1997. In order to monitor the Inspector General's completion of the Health Care Finance Administration's (HCFA) FY 1997 audit, which we plan to rely on in rendering our audit opinion on the consolidated statements, we need to assess whether adequate audit procedures are being performed to (1) audit governmentwide Medicare expenditures and the financial status of the medicare trust funds; (2) evaluate internal controls; and (3) test compliance with significant provisions of laws and regulations related to Medicare expenditures.

**TITLE: FY 1997 AUDIT OF INCOME SECURITY EXPENSE (919111)**

**KEY QUESTIONS :** The 1994 Government Management Reform Act of 1994 (GMRA) requires the General Accounting Office (GAO) to audit the FY 1997 governmentwide consolidated financial statements. Income Security expenses is a material line item of about \$228 billion. To perform the FY 1997 audit, we need to assess whether adequate audit procedures are being performed to (1) audit governmentwide income security benefit payments; (2) evaluate internal controls; and (3) test compliance with significant provisions of laws and regulations related to income security.

**TITLE: FY 1997 AUDIT OF VETERANS BENEFITS AND SERVICES (919114)**

**KEY QUESTIONS :** The GAO requirement to audit governmentwide financial statements under the Government Management Reform Act begins with the 1997 fiscal year. Veterans Benefits and Services is a material line item of about \$31.2 billion. To perform the FY 1997 audit, we need to determine whether the VA Inspector General's audit procedures are adequate to determine whether (1) the veterans benefits and services line item is fairly stated in relation to the governmentwide financial statements taken as a whole, (2) internal controls are effectively designed and operating, and (3) VA is in compliance with significant provisions of laws and regulations related to this line item.

## Civil Audits

**TITLE: HRA 6: FY 1997 AUDIT OF EDUCATION, TRAINING, EMPLOYMENT & SOCIAL SERVICES EXPENSES (919115)**

**KEY QUESTIONS :** The Government Management Reform Act requires GAO to audit governmentwide financial statements beginning with fiscal year 1997. Education, Training, Employment & Social Services (ETESS) expenses is a material line item with about \$50 billion of expenses. Education and HHS account for about 85% of this line item and their OIGs/IPAs are performing the audits. To carry out the FY 1997 audit, we need to assess whether adequate audit procedures are being performed to (1) audit governmentwide ETESS expenses; (2) evaluate internal controls; and (3) test compliance with significant provisions of laws and regulations related to ETESS expenses.

**TITLE: FY 97 AUDIT OF HEALTH (919122)**

**KEY QUESTIONS :** The Government Management Reform Act of 1994 (GMRA) requires GAO to audit the 1997 government wide consolidated financial statements. The Health line item is material to those financial statements. The Department of Health and Human Services (DHHS) is expected to account for 100 percent of the Health line item total in FY 1997. Consequently, DHHS will be the focus of our audit work. (1) Is the reported balance in the Health line item fairly stated in relation to the government wide financial statements as a whole? (2) Are the internal controls related to the Health line item in place and operating effectively? (3) Is the government in compliance with significant provisions of laws and regulations related to the Health line item?

**TITLE: FISCAL YEAR 1997 GOVERNMENTWIDE AUDIT OF ACCOUNTS PAYABLE AND OTHER LIABILITIES (919123)**

**KEY QUESTIONS :** Under provisions in the Government Management Reform Act of 1994, the General Accounting Office will audit the governmentwide consolidated financial statements for fiscal year 1997. Accounts Payable and Other Liabilities are material line items that totalled about \$328 billion at 9/30/96. The \$221 billion in these accounts at Treasury, DOD, HHS and SSA comprise approximately 68 percent of this line item and are the principal agencies of our focus. To carry out the FY 1997 audit, we need to assess whether adequate audit procedures are being performed to (1) audit governmentwide Accounts Payable and Other Liabilities; (2) evaluate internal controls; and (3) test compliance with significant provisions of laws and regulations related to Accounts Payable and Other Liabilities.

### FINANCIAL OPERATIONS--HEHS

**TITLE: SSA 1997 FINANCIAL AUDIT AND RELATED WORK (919102)**

**KEY QUESTIONS :** The Government Management Reform Act requires the General Accounting Office to audit the Fiscal Year 1997 government-wide financial statements, of which the Social Security Administration (SSA) is a significant part. SSA's audit will be performed by an accounting firm under contract with the SSA's Office of Inspector General (OIG).

### FINANCIAL CONDITION--RCED

**TITLE: REVIEW OF THE FEDERAL GOVERNMENT'S FINANCIAL EXPOSURE AND SUBSIDIES RELATED TO ELECTRIC UTILITY ACTIVITIES (913805)**

**KEY QUESTIONS :** (1) Do the unrecovered power costs, and net financing costs, still exist at the 3 Power Marketing Administration (PMA)s? (2) Do similar unrecovered power costs, and net financing costs, exist at Bonneville Power Administration (BPA), TVA and Rural Utility Service (RUS)? (3) What is the short-and-long-term risk of the government incurring future financial losses due to its involvement in the power-related activities of the 3 PMAs, BPA, TVA, and RUS?

**TITLE: THE IMPACT OF THE SALE OR RESTRUCTURING OF BONNEVILLE ON BPA'S AND THE FEDERAL GOVERNMENT'S RESPONSIBILITIES FOR BPA'S WPPSS DEBT (913806)**

**KEY QUESTIONS :** 1. If BPA is sold, what would be the fed govt's responsibility to WPPSS, under the terms of the project agreements, for the \$7 bill that BPA owes WPPSS? 2. If BPA were restructured into 2 govt corps: a) which corp, if either, would inherit BPA's responsibilities to WPPSS under the proj agreements, & b) would such restructuring expose the fed govt to financial liability?

**TITLE: REVIEW OF GOVERNMENTWIDE ENVIRONMENTAL CLEANUP COSTS (919044)**

**KEY QUESTIONS :** (1) What is the magnitude and reliability of environmental liabilities reported in federal agency and government corporation financial statements at 9-30-96? (2) What processes do federal entities have in place to estimate and report these liabilities? (3) What is the nature and location of the government's environmental liabilities?

**TITLE: CFS WORK ON USDA/NFC GOVERNMENT-WIDE PAYROLL (919045)**

**KEY QUESTIONS :** 1) Are internal controls at the National Finance Center (NFC) sufficient to ensure that payroll & related data submitted by user agencies are properly processed & recorded? 2) Is USDA's FY 96 payroll expense fairly stated? 3) Are internal controls over USDA payroll submissions to NFC effectively designed & operating as intended? 4) Is USDA in compliance with significant provisions of applicable laws & regulations?

**TITLE: TRANSPORTATION EXPENSE FOR FY 1997 GOVERNMENTWIDE FINANCIAL STATEMENT AUDIT (919110)**

**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. The Transportation Expense line item totalled \$53.7 billion at 9/30/96 and is required to be audited as part of the Statement of Net Cost. Determine whether: (1) FY 1997 transportation expenses and related accruals are fairly stated, (2) internal controls relating to these accounts are operating effectively, (3) is the government in compliance with significant provisions of laws and regulations related to these accounts?

**TITLE: REVIEW OF GOVERNMENTWIDE ENVIRONMENTAL LIABILITIES - FY 1997 (919113)**

**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. Our audit objectives are to determine whether: (1) FY 1997 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: COMMITMENT & CONTINGENCIES FOOTNOTE FOR GOVERNMENTWIDE FINANCIAL STATEMENT (919120)**

**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. Commitments and contingencies, a footnote item on the financial statements, totals \$6.4 trillion. The financial activities of 14 agencies account for 97 percent of this line item. We will determine whether: (1) FY 1997 governmentwide commitment & contingencies are fairly stated; (2) internal controls relating to commitment and contingencies are fairly stated; and (3) the government is in compliance with significant provisions of laws and regulations related to commitment and contingencies?

**TITLE: ENERGY, NATURAL RESOURCES AND ENVIRONMENT, NET COSTS (BUDGET LINE ITEMS 270 AND 300) FOR THE GOVERNMENTWIDE CONSOLIDATED FINANCIAL STATEMENT AUDIT FOR FY 97 (919127)**

**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. As part of the FY 1997 governmentwide consolidated financial audit, our key questions related to the Energy, Natural Resources & Environment, Net Costs (budget line items 270 and 300) are to determine whether: (1) the line items are fairly stated, (2) internal controls are in place to prevent or detect misstatements in the line items, and (3) the government is complying with significant provisions of laws and regulations related to those line items?

**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 accurate and supportable are the agencies' credit subsidy estimation processes? (2) What barriers exist to effectively implementing credit reform? and (3) What action plans have been developed to overcome these barriers?

**TITLE: GOVERNMENTWIDE LOANS RECEIVABLE AND LIABILITY FOR LOAN GUARANTEES FOR FY 1997 (919116)**

**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 \$127.1 billion and \$39.3 billion respectively at 9/30/96. Our audit objectives are to determine whether (1) fiscal year 1997 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.

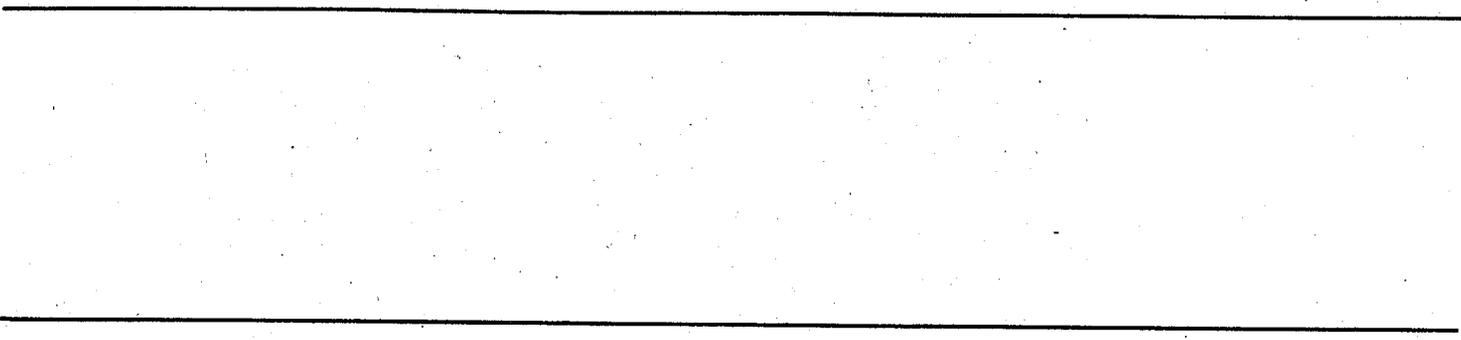
**TITLE: AUDIT PROCEDURES FOR ENSURING PROPER USE OF OMB'S CREDIT SUBSIDY MODEL (CSM) (919133)**

**KEY QUESTIONS :** OMB's Credit Subsidy Model (CSM) is a software program used by federal agencies to calculate subsidy rates for credit programs as required by the Federal Credit Reform Act and Statement of Federal Financial Accounting Standards No. 2. We recently completed audit work on a review of the CSM to determine if it (1) conforms with relevant provisions of applicable legislation and accounting standards, (2) provides reliable results, and (3) is maintained and operated under a system of adequate controls. The report also included supplemental audit steps that auditors should perform to ensure that federal credit agencies are using the CSM properly. The objective of this job is to highlight those audit procedures in a separate product.

**OTHER ISSUE AREA WORK - CA**

**TITLE: SMALL AGENCY PROFILES (919043)**

**KEY QUESTIONS :** (1) What is the universe of other entities? (2) What information should be included in profiles for the other entities? (3) What audit work, if any, should be done for any of the other entities?



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