

**ADVISORY MEMORANDUM REPORT
ON SBA'S FEDERAL AGENCIES' CENTRALIZED
TRIAL BALANCE SYSTEM (FACTS) DATA**

ADVISORY REPORT NO: A1-04

MARCH 8, 2001

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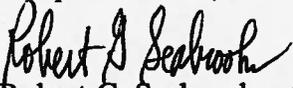
**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

**ADVISORY MEMORANDUM
REPORT**

Issue Date: March 8, 2001

Number: A1-04

To: Joseph P. Loddo, Chief Financial Officer

From: 
Robert G. Seabrooks, Assistant Inspector General for Auditing

Subject: Agreed-upon Procedures Report for FACTS Verification

Attached is Cotton & Company LLP's agreed-upon procedures report for verification of SBA's Federal Agencies' Centralized Trial Balance System (FACTS) data. They noted two findings relating to a difference in reported amounts between SBA's FACTS data and its audited financial statements for three accounts. We recommend that you take action to correct these deficiencies and strengthen internal procedures to prevent future discrepancies.

Should you or your staff have any questions, please contact Robert G. Hultberg, Director, Business Development Programs Group at (202) 205-7204.

Attachment



U.S. Small Business Administration
Washington, D.C. 20416

**OFFICE OF
INSPECTOR GENERAL**

March 7, 2001

Memorandum For: Sheila Conley, Chief, Financial Standards Reporting and Management
Integrity Branch, Office of Federal Financial Management, OMB
Faye McCreary, Manager, Financial Reports Branch, Treasury/FMS
Gary Engel, Manager, Financial Management and Assurance, GAO

From: 
Phyllis K. Fong, Inspector General

Subject: Independent Accountant's Agreed-upon Procedures Report for
FACTS Verification

Cotton & Company LLP, Certified Public Accountants, performed the procedures enumerated in the attachment which were agreed to by the Department of the Treasury, Financial Management Service (FMS), the General Accounting Office (GAO), and the Office of Management and Budget (OMB) solely to assist you in evaluating agency management's assertion that it compared the Summarized FACTS Data to the related information in the agency's consolidated financial statements as of and for the year ended September 30, 2000, and determined that such information is in agreement, except for the items noted on the attachment.

The agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment either for the purpose for which this report was requested or for any other purpose. We were not engaged to and we did not perform an examination, the objective of which would be the expression of an opinion on management's assertion described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of OMB, FMS and GAO and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Attachment



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**INDEPENDENT ACCOUNTANT'S REPORT ON
AGREED-UPON PROCEDURES FOR
FACTS VERIFICATION**

Inspector General
U.S. Small Business Administration

Cotton & Company LLP performed the procedures enumerated in the attachment, which were agreed to by Department of the Treasury, Financial Management Service (FMS), the General Accounting Office (GAO), and the Office of Management and Budget (OMB) solely to assist you in evaluating U.S. Small Business Administration (SBA) management assertions that SBA compared Summarized FACTS I Data to the related information in its consolidated financial statements as of and for the year ended September 30, 2000.

We performed this agreed-upon procedure engagement in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment either for the purpose for which this report was requested or for any other purpose. The procedures performed and related finding are enumerated on the attachment.

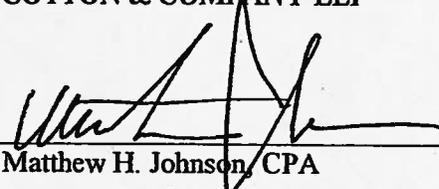
We noted two findings as the result of conducting the agreed-upon procedures:

- A difference in the reported amount of SGL Account 2140G, Accrued Interest Payable.
- A difference in the reported amounts of SGL Accounts 6100G and 6100N, Operating Expenses/Program Costs.

We were not requested to, and we did not, perform an examination, the objective of which would be the expression of an opinion on the FACTS I data described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information use of Treasury, FMS, GAO, and OMB and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

COTTON & COMPANY LLP

By: 
Matthew H. Johnson, CPA

March 3, 2000
Alexandria, Virginia



**AGREED-UPON PROCEDURES FOR FACTS VERIFICATION
FISCAL YEAR 2000**

Procedure	Finding
<p>Compared information in the Summarized FACTS I Data to SBA's consolidated financial statements as follows:</p> <p>1. Traced amounts for split SGL accounts in SBA's records to the Accounting Groupings Worksheet (AGW) split account worksheet.</p>	<p>We identified a difference under Account 2140G, Accrued Interest Payable. SBA's record shows a balance of \$725,038,044, and the FACTS report shows a balance of \$914,904,299. The difference is \$189,866,255.</p> <p>SBA's accounting system could not process multiple-year funds, such as 96 97 1154 and 97 98 1154. To resolve this problem, all expenses were drawn out of single-year funds, such as 96 1154 or 97 1154. SBA made a year-end adjustment on its consolidated financial statements to move the expense from the single-year fund to multiple-year funds, but did not make such adjustment to the FACTS report.</p>
<p>2. Traced amounts for each line item in the audited consolidated Balance Sheet and consolidated Statement of Changes in Net Position to the related amounts on the AGW column titled "Amounts from agency financial statements" provided by the CFO.</p>	<p>We noted no differences.</p>
<p>3. Traced amounts for each line item on the AGW Balance Sheet and AGW Statement of Changes in Net Position for the column titled "Amounts from agency financial statements" to related amounts on the audited the Balance Sheet and consolidated Statement of Changes in Net Position.</p>	<p>The balance of Account 6100G, Operating Expenses/Program Costs, does not agree. The FACTS I balance is \$(288,872,108), and SBA's audited financial statements show \$(291,609,334), a difference of \$2,737,226.</p> <p>The balance of Account 6100N, Operating Expenses/Program Costs, does not agree. The FACTS I balance is \$(536,933,255), and SBA's audited financial statements show \$(534,196,029), a difference of \$(2,737,226).</p> <p>SBA made a data entry error in its FACTS submission.</p>
<p>4. Footed the AGW Balance Sheet and AGW Statement of Changes in Net Position column titled "Amounts from agency financial statements."</p>	<p>We noted no differences.</p>

Procedure	Finding
<p>Footed and crossfooted the AGW Balance Sheet and AGW Statement of Changes in Net Position column titled "difference."</p> <p>5. Read the explanation for any differences identified by the CFO for the AGW Balance Sheet and AGW Statement of Changes in Net Position and listed on each AGW. Reviewed the explanation for consistency with (1) supporting documentation and (2) results of audit procedures performed in conjunction with the current-year audit of the financial statements.</p>	<p>We noted no differences.</p>
<p>6. For amounts listed as Unreconciled Transactions Affecting the Change in Net Position on the AGW, read the explanation for the differences identified by the CFO, as listed on the AGW, and compared these amounts to supporting documentation for the differences.</p>	<p>We noted no differences.</p>
<p>7. Traced the amount for each line item for gross cost, earned revenue, and net cost for transactions with intra-governmental entities, net of intra-departmental amounts, by budget functional classification from the audited SBA consolidated financial statement footnote to amounts on the AGW Statement of Net Cost column titled "Amount from agency financial statements" provided by the CFO.</p>	<p>We noted no differences.</p>
<p>8. Traced amounts for each line item for total gross cost, total earned revenue, and total net cost by budget functional classification from the AGW Statement of Net Cost column titled "Amount from agency financial statement" to related amounts on the audited SBA consolidated financial statement footnote provided by the CFO.</p>	<p>We noted no differences.</p>
<p>9. Read the explanation for differences identified by the CFO for the Statement of Net Cost and compared with the supporting documentation for the differences identified by the CFO, as listed on the AGW.</p>	<p>We noted no differences.</p>
<p>10. Compared data on the FACTS I NOTES report to footnotes or other disclosures in SBA's financial statements or, if not disclosed in the financial statements, to other supporting data. Read the CFO explanation for differences and compared to supporting documentation.</p>	<p>We noted no differences.</p>