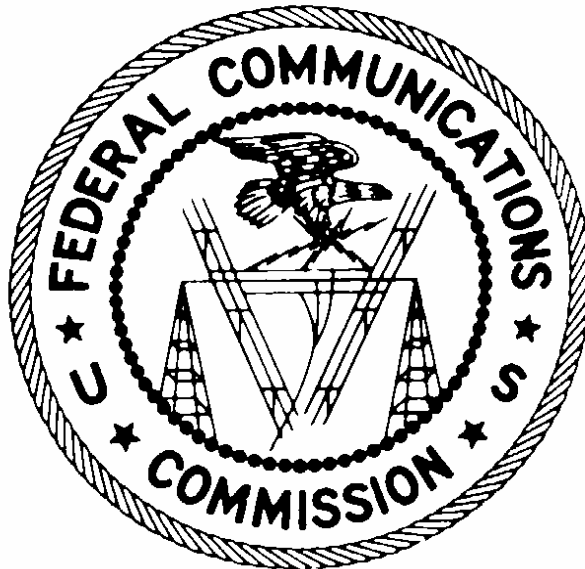


**REPORT ON THE
FEDERAL COMMUNICATIONS COMMISSION
FISCAL YEAR 2004 AGREED-UPON PROCEDURES ON
CLOSING PACKAGE INTRAGOVERNMENTAL ACTIVITY
AND BALANCES**

04-AUD-12-26

December 2, 2004



Office of Inspector General

Federal Communications Commission

Camilla Barror

From: Camilla Barror
Sent: Thursday, December 02, 2004 4:46 PM
To: Treas (FMS) - 2004 (Financial.reports@fms.treas.gov); GAO CP-AUP Report (engelg@gao.gov); Mark Reger
Cc: Walker Feaster; Thomas Cline; Steven Rickrode
Subject: FCC's IG-AUP Report for Closing Package Intragovernmental Activity and Balances

In accordance with TFM 4705.75, *IG Agreed-Upon Procedures for Federal Intragovernmental Activity and Balances*, attached is the Agreed-Upon Procedures Report from the Federal Communications Commission Office of Inspector General.



FCC_IA_AUP_12-2-04.pdf (167 KB...

If you have questions or need further information, please contact:

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Thank you,

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Independent Accountant's Report on Applying Agreed-Upon Procedures on Closing Package Intragovernmental Activity and Balances

To the Inspector General of the
Federal Communications Commission

We have performed the procedures described below, which were agreed to by the Department of the Treasury's Financial Management Service (FMS), the U. S. Government Accountability Office (GAO), and the Office of Management and Budget (OMB) as stated in the *FMS Agency Reporting Requirements for the Financial Report of the United States Government* guidance, solely to assist FMS in the preparation of, and GAO in the audit of the consolidated financial statements of the U. S. Government as of and for the year ended September 30, 2004. The Federal Communications Commission (FCC) management is responsible for the proper accounting, presentation and reporting of its consolidated financial statements and reporting of information to FMS.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of FMS, GAO and OMB. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our associated findings are presented below.

Procedure 1:

Obtain all closing package (CP) trading partner data for intragovernmental activity/balances supporting the closing package Reclassified Balance Sheet's Federal Assets and Liabilities, Reclassified Statement of Net Cost's Federal Gross Cost and Federal Earned Revenue, and Reclassified Statement of Change in Net Position's Federal Nonexchange Revenue and Budgetary and Other Financing Sources.

Results:

FCC provided the following reports obtained from FMS:

- FYE 2004 Intragovernmental Closing Package Activity Summary Report by Trading Partner;
- Closing Package vs. Fourth Quarter Comparative Data for FY 2004;
- FYE 2004 Intragovernmental Closing Package Activity Detail Report by Trading Partner;
- FYE 2004 Intragovernmental Closing Package Reciprocal Category Detail Report;
- FYE 2004 Intragovernmental Closing Package Reciprocal Category Summary Report;
- Intragovernmental Closing Package Comparative Status of Disposition Report FYE 2004; and

- Governmentwide Financial Report System (GFRS) Trading Partner Summary Report for the following:
 - Reclassified Balance Sheet;
 - Reclassified Statement of Net Cost; and
 - Reclassified Statement of Changes in Net Position.

Procedure 2:

Trace the intragovernmental transactions closing package trading partner data by federal line items totals and/or trading partner activity/balances to the agency general ledger and the audited financial statements and identify any differences.

Results:

We have rounded all amounts to the nearest thousands for comparison purposes.

Reclassified Balance Sheet (BS)

- We compared the Closing Package Line Description (CPLD) amounts on the Trading Partner Summary Report to the audited Balance Sheet. No differences were identified.
- We compared each CPLD amount to the final audited financial statement crosswalk file that was reconciled to the general ledger, and identified a difference in investments as shown in the following:

Closing Package Line Description	Closing Package Amount	Crosswalk/ General Ledger Balance	Difference	Explanation of Difference
Investments	\$3,257,049,000	\$3,256,798,000	\$251,000	The closing package line includes interest receivable from U S Treasury securities of \$251,000.

- We compared the individual trading partner amounts on the GFRS Trading Partner Summary Report to the Intragovernmental Assets and Liabilities reported in the Required Supplementary Information (RSI) of the audited financial statements. No differences were identified.
- We compared the intragovernmental accounts receivable (AR) and payable (AP) amounts for each trading partner to the accounts receivable and payable sub ledger and identified a difference as follows:

Agency ID	Trading Partner	Trading Partner Summary Report	FCC Sub ledger	Difference	Explanation of Difference
2400	Office of Personnel Management (OPM)	\$1,164,011	\$894,711	\$269,300	The Trading Partner Summary Report included \$269,300 as AP with OPM but should have been reported as AP with trading partner 9900, Treasury General Fund.

Reclassified Statement of Net Cost (SNC)

- We compared the CPLD amounts on the SNC Trading Partner Summary Report to the final audited financial statement crosswalk file which was reconciled to the general ledger and identified the following difference:

Closing Package Line Description	Closing Package Amount	Crosswalk/General Ledger Balance	Difference	Explanation of Difference
Benefit Program Costs Related to Exchange Transactions	\$35,158,000	\$35,300,000	(\$142,000)	\$144,000 recorded in Fund CR2 was not reported on this line on the CP. The remaining difference of (\$2,000) is an unidentified difference.

- We compared the individual trading partner amounts on the SNC Trading Partner Summary Report to the Intragovernmental Earned Revenues and Related Costs reported in the RSI of the audited financial statements and identified the following differences:

Trading Partner	Closing Package Line Description	Closing Package Amount	RSI Revenue/ Expense	Difference	Explanation of Difference
1300 Department of Commerce	Buy/Sell Revenue	\$359,000	\$358,000	\$1,000	Rounding difference for reporting purposes
6900 Department of Transportation	Buy/Sell Costs	\$166,000	\$165,000	\$1,000	Rounding difference for reporting purposes
9500 Independent and Other Agencies	Buy/Sell Costs	\$1,527,000	\$1,544,000	(\$17,000)	A reduction to a trading partner's expenses for \$9,000 was reported instead in the RSI as expenses for \$9,000 thereby overstating the RSI amount by \$18,000. The remaining (\$1,000) difference is unidentified.

Reclassified Statement of Changes in Net Position (SCNP)

- We compared the CPLD amounts on the SCNP Trading Partner Summary Report to the audited SCNP or Statement of Custodial Activity (SCA), as applicable. No differences were identified.
- We compared the CPLD amounts to the final audited financial statement crosswalk file that was reconciled to the general ledger. No differences were identified.

Procedure 3:

Trace trading partner activities/balances from the intragovernmental transactions closing package trading partner data to the agency's supporting schedules:

- Agency Fourth-Quarter Intragovernmental Reconciliation; and
- CFO Representations using closing package data.

For items where agency reporting differences exist, trace the explanations to supporting documentation and identify any discrepancies.

Results:

FCC notified us and we confirmed with FMS that the Agency Fourth-Quarter Intragovernmental Reconciliation report did not exist. We were advised by FMS to use the Closing Package vs. Fourth Quarter Comparative Data (Comparative Data Report) for fiscal year 2004 in performing this procedure.

- We agreed the fourth quarter submission amounts by Reciprocal Category and trading partner on the Comparative Data Report to the Fourth Quarter Intragovernmental Activity Detail Report without exception.
- We traced the closing package amount reported on the Comparative Data Report to the trading partner balances reported on the Closing Package Trading Partner Summary Reports for the Reclassified Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position. We identified the following differences:

Reclassified Financial Statement	Line	Reciprocal Category	Amount	Explanation of Difference
Statement of Changes in Net Position	Other Financing Sources	18 – Financing Sources Transferred In/Out Without Reimbursement	\$367,889,000	This amount was not reported in Reciprocal Category 18 on the Reclassified Statement of Changes in Net Position. It was reported in Reciprocal Category 29 on the reclassified financial statement.
Statement of Changes in Net Position	Imputed Financing Sources	25 – Imputed Cost/Imputed Financing Source	\$14,547,000	This line item was not included in the Comparative Data Report, but was included as a line item on the reclassified financial statement.
Statement of Net Cost	Imputed Costs	25 – Imputed Cost/Imputed Financing Source	\$14,547,000	This line item was not included in the Comparative Data Report, but was included as a line item on the reclassified financial statement.

- We reviewed the Comparative Data Report for percentage differences greater than 10 percent. Using the FCC’s responses in Section I.E. of the CFO Representations for Federal Intragovernmental Activity and Balances, we identified the amounts, which consisted of the differences between the closing package reciprocal category amount, and the fourth quarter submission amount. For Reciprocal Category 29 Uncategorized – Standard General Ledgers that are not assigned to any other category, we noted an unidentified difference of \$11,685 or 93 percent. All other reciprocal category differences greater than 10 percent were reconciled as explained in the CFO Representations for Federal Intragovernmental Activity and Balances report.

- We confirmed FCC’s explanations provided on the fiscal year 2004 CFO Representations for Federal Intragovernmental Activity and Balances to the applicable closing package document or the audited financial statement’s Required Supplemental Information on Intragovernmental Assets, Liabilities, Earned Revenues or Related Costs. We noted the following CFO Representation explanations differed from supporting data examined:
 - FCC’s response #2 in Section I.A. and response #1 in Section I.A.1 was “The CP reported \$18,000 (TP 03 s/h/b -9,000) less in Intragovernmental Revenue than the RSI.” Our review showed that the \$18,000 difference is in “Intragovernmental Expense” and not in “Intragovernmental Revenue.”
 - FCC’s response to question in Section I.C. listed five trading partners who did not report any intragovernmental balances with the FCC. FCC did not include in its response two agencies (the U.S. Postal Service and the Department of Health and Human Services) that did not report any intragovernmental balances.

Procedure 4:

- Obtain FMS’ Comparative Closing Package Explanation of Differences Report for intragovernmental activities/balances;
- Trace the differences between the agency and its trading partners by reciprocal category/line-item from FMS’ comparative reports to explanations from agency supporting documentation;
- Identify any inconsistencies in amounts or explanations between FMS’ comparative reports and agency supporting documentation; and
- In the event of non-reporting by trading partners, as indicated in the footer section of FMS’ comparative reports, identify that the difference is due to a nonreporting partner and do not proceed further with the review of the differences.

Results:

We obtained FMS’ Intragovernmental Closing Package Comparative Status of Disposition Report for fiscal year ending 2004 which reported only one trading partner/reciprocal category. The report identified a material difference of \$3,227,049,000 between FCC and Trading Partner 20, Department of the Treasury, for reciprocal category 01 Investments/Debt.

FCC’s explanation for the material difference was a current year timing difference. By explaining that this was a current year timing difference, the \$3.2 billion difference is shown as an adjustment to the FCC’s reported amount on the Comparative Status of Disposition Report instead of an adjustment to the Department of Treasury’s reported amount. This adjustment resulted in an Adjusted Reporting Amount in Investments of \$30,000,000 for FCC that was not correct. The FCC reported the \$3.2 billion of U.S. Treasury securities as investments on the audited balance sheet, in the general ledger and on the reclassified Closing Package Balance Sheet. Therefore, the FCC’s Adjusted Reporting amount on this Comparative Status of Disposition Report is not consistent with FCC’s financial statements and records as of September 30, 2004.

Procedure 5:

Identify and include copies of internal control findings related to intragovernmental activities from the financial statement audit. Also, identify and report auditor-proposed intragovernmental adjustments that were waived by the agency, including items cited in the management letter.

Results:

We reviewed the following and did not identify internal control findings related to the intragovernmental activities:

- Independent Auditor’s Report on Internal Controls dated November 1, 2004, related to the fiscal year 2004 financial statements audit;
- Passed adjusting journal entries included in general purpose financial statement audit’s management representation letter; and
- Management letter related to the fiscal year 2004 financial statements audit.

Procedure 6:

Deliver the separate Agreed-Upon Procedures Report on Closing Package Intragovernmental Activity and Balances; as well as, copies of any internal control findings, to the agency’s CFO, FMS, and GAO not later than December 2, 2004.

Results:

The FCC Agreed-Upon Procedures Report on Closing Package Intragovernmental Activity and Balances was delivered to the agency’s CFO, FMS, and GAO on December 2, 2004.

We were not engaged to, and did not conduct an examination of the matters addressed herein, the objective of which would be the expression of an opinion on such information. 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 and use of the FCC, Office of Inspector General and management, OMB, FMS and GAO and is not intended to be, and should not be used by anyone other than the specified parties.

Clifton Henderson LLP

Calverton, Maryland
December 2, 2004