AUDITED DEPARTMENTAL OFFICES
FISCAL YEAR 1999 CONSOLIDATED
FINANCIAL STATEMENTS AND NOTES

OIG-00-055 FEBRUARY 22, 2000

Office of Inspector General

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United States Department of the Treasury

OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 22, 2000

MEMORANDUM FOR SHELIA MCCANN
DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION

FROM: Dennis S. Schindel Dennis Schindel
Assistant Inspector General for Audit

SUBJECT: Audited Departmental Offices
Fiscal Year 1999 Consolidated Financial
Statements and Notes

I am pleased to transmit the Departmental Offices (DO) Fiscal Year 1999 Consolidated Financial Statements and Notes. The DO's financial statements were audited by the firm of KPMG LLP, an independent public accountant (IPA). The IPA issued the following reports which are included in the attachment:

- Independent Auditors' Report on Financial Statements;
- Independent Auditors' Report on Internal Control over Financial Reporting; and
- Independent Auditors' Report on Compliance with Laws and Regulations.

The IPA rendered an unqualified opinion on DO's Consolidated Balance Sheet as of September 30, 1999, and the related Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, Combined Statement of Budgetary Resources, Combined Statement of Financing, and Consolidated Statement of Custodial Activity for the year ended September 30, 1999. The Independent Auditors' Report on Internal Control over Financial Reporting cited one reportable condition related to the property capitalization and accountability process, which is a repeat finding. This condition was not considered to be a material weakness. The Independent Auditors' Report on Compliance with Laws and Regulations disclosed no instances of noncompliance.

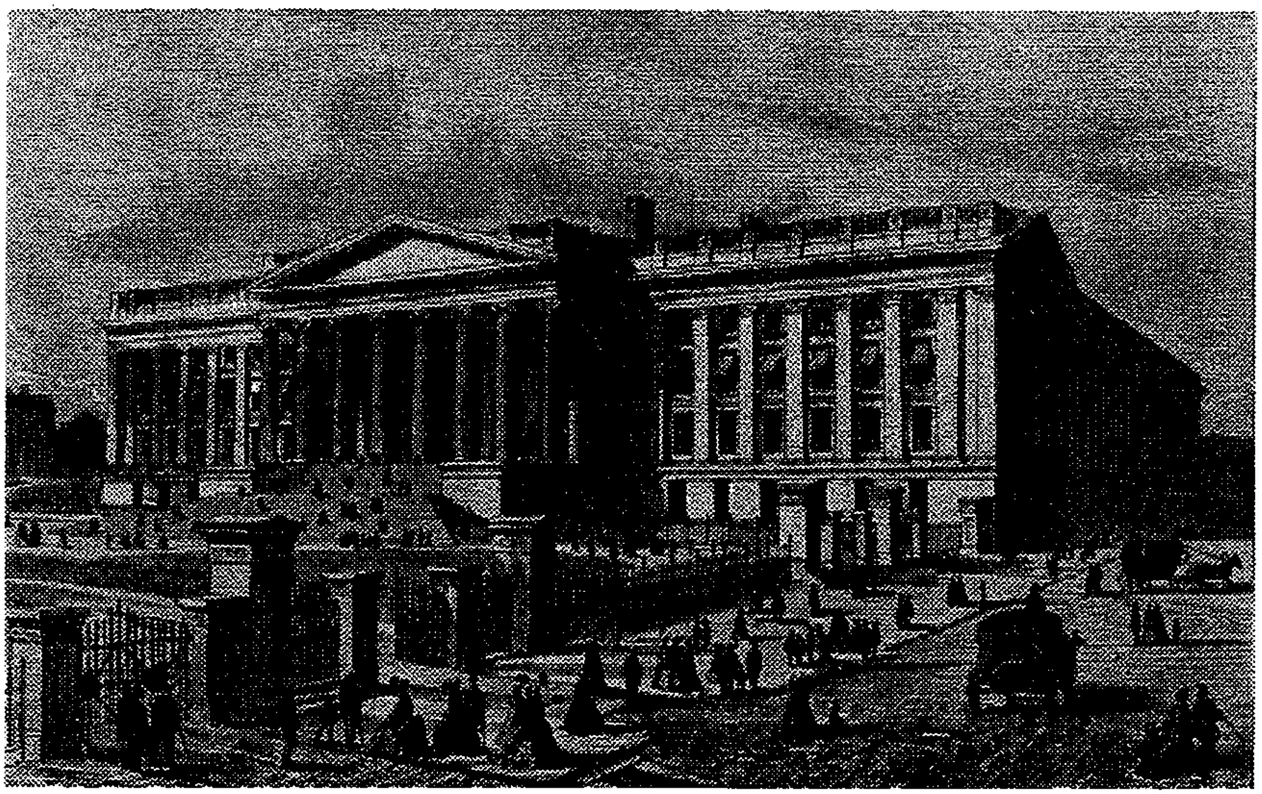
The IPA issued a management letter dated January 14, 2000 discussing various issues that were identified during the audit, but which are not required to be included in the audit report.

As in the prior year, my staff monitored the conduct of the audit and performed a quality control review of the IPA's working papers. The audit was performed in accordance with *Government Auditing Standards,* issued by the Comptroller General of the United States, and met the requirements of the Office of Management and Budget Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements,* as amended.

Should you have any questions, please contact me at (202) 927-5400, or a member of your staff may contact William H. Pugh, Deputy Assistant Inspector General for Audit (Financial Management), at (202) 927-5430.

Attachment

cc: Lisa Ross
Acting Assistant Secretary for Management and Chief Financial Officer



DEPARTMENTAL OFFICES
Fiscal Year 1999
Consolidated Financial Statements and Notes

KPMG

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Financial Statements

The Inspector General, U.S. Department of the Treasury, and
Deputy Assistant Secretary (Administration)
Departmental Offices, U.S. Department of the Treasury:

We have audited the accompanying consolidated balance sheet of the U.S. Department of the Treasury's Departmental Offices (DO) as of September 30, 1999, and the related consolidated statement of net cost, consolidated statement of changes in net position, combined statement of budgetary resources, combined statement of financing and consolidated statement of custodial activity (hereafter collectively referred to as the financial statements) for the year then ended. These financial statements are the responsibility of the DO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Treasury's Departmental Offices as of September 30, 1999, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activity for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The Required Supplementary Information (RSI) is not a required part of the financial statements. We have applied certain limited procedures to the RSI, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the RSI. However, we did not audit the RSI and express no opinion on it.

In accordance with *Government Auditing Standards,* we have also issued our reports dated January 14. 2000 on our consideration of the DO's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the DO's management, the U.S. Department of the Treasury Office of the Inspector General, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 14, 2000

KPMG

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Internal Control over Financial Reporting

The Inspector General, U.S. Department of the Treasury, and
Deputy Assistant Secretary (Administration)
Departmental Offices, U.S. Department of the Treasury:

We have audited the financial statements of the U.S. Department of the Treasury's Departmental Offices (DO) as of and for the year ended September 30, 1999, and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

The DO's management is responsible for establishing and maintaining internal controls over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control over financial reporting are to provide management with reasonable, but not absolute, assurance that:

(1) Transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and certain other laws, regulations, and government-wide policies identified by the OMB as applicable to the DO;

(2) Assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and

(3) Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in internal control, misstatements, losses, or noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we considered the DO's internal control over financial reporting by obtaining an understanding of its internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 98-08, as amended. We did not test all internal controls relevant to operating objectives broadly defined by the Federal Manager's Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion on internal controls.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions, under standards issued by the American Institute of Certified Public Accountants and, accordingly, would not necessarily disclose all reportable conditions that are material weaknesses. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the DO's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted a matter, discussed in Exhibit I, involving internal control over financial reporting and its operation that we consider to be a reportable condition. However, we do not believe this matter is a material weakness. This matter also was presented in our *Independent Auditor's Report in Internal Control over Financial Reporting*, dated February 5, 1999, issued as a result of our prior year's audit.

In addition, we considered the DO's internal control over Required Supplementary Information, by obtaining an understanding of the agency's internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls, as required by OMB Bulletin 98-08, as amended, and not to provide assurance on these internal controls. Accordingly, we do not provide assurance on such controls.

We also noted other matters involving internal controls and their operation that we have reported to the management of the DO in a separate letter dated January 14, 2000.

This report is intended solely for the information and use of the DO's management, the U.S. Department of the Treasury Office of the Inspector General, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 14, 2000

DEPARTMENT OF THE TREASURY
DEPARTMENTAL OFFICES

Reportable Condition in Internal Control over Financial Reporting

Property Management System

We continued to note the following matters, which were originally identified during the previous fiscal years' audits:

- DO personnel are not following established procedures for capitalization and accountability of fixed assets;
- Differences exist between the property accountability and financial accounting records; and
- DO's standard operating procedures contained incorrect guidance.

During the current year audit we also noted that:

- DO capitalized several prior year WCF PP&E additions that were incorrectly expensed when purchased;
- The Personal Property Office has not populated the new inventory database with costs and acquisition dates for items with an original cost of less than the $25,000 capitalization threshold.

During fiscal year 1999, DO took steps to improve property accountability and the related financial accounting. For example, a new automated system was implemented, a full-scope physical inventory was performed and the Standard Operating Procedure (SOP) related to property was updated. While these actions resulted in improvements we continued to identify weaknesses related to property.

Previously, we identified the lack of communication between the property accountability and financial accounting office as a key cause of problems related to property. The lack of communication has been compounded by unclear guidance in DO's SOP. Even though the SOP was updated during fiscal year 1999, we found an error that caused some assets to be capitalized when payments were made for the items rather than on the date the property was received and put into service. Finally, in the process of implementing the new automated property system, some fields previously populated in the old automated system were not populated in the new system (Microsoft Access Database), thus eliminating this information in the new system.

Lack of Communication
Additions and deletions were not being communicated effectively which resulted in a large dollar adjustment recorded by the financial accounting office at fiscal year end. This lack of communication issue extends to offices receiving property as well. Formal procedures should be in place to facilitate communication to both the property accountability and financial accounting offices and also among those offices. Furthermore, periodic exchanges of data in conjunction with performing reconciliations should help force discussions on reconciling items and go a long way toward keeping property on track.

DO's SOP
The DO's SOP stipulates that property should be capitalized on the date that a related invoice is paid, rather than when the property is received and placed in service. DO's guidance should be changed to require that capitalized equipment be recorded when received.

Implementing a New Automated System
During the conversion process from the old system to the new system, the property accountability office could not download information from the old system into the new system. As a result, data fields in the new system were populated differently depending on the dollar value assigned to assets. For example, records for items valued at $25,000 or greater had financial data fields, within the record, populated. If an item was valued at less than $25,000 financial data fields were not populated. This practice complicated the year end reconciliation of the property accountability system to the financial accounting system.

Recommendations

Communication channels between property accountability and financial accounting offices need to be strengthened. Analysis of the processes related to recording property should be performed which includes points in the processes where communication needs to take place, the information that should be communicated and the means by which the communication should take place. Any identified changes in process should be implemented as soon as feasible.

The SOP should be modified to change the requirement on capitalizing property from "when paid" to "when received and placed in service."

The property accountability system should be updated to include financial accounting information for all property items included in the database from this point forward. The information in the system should then routinely be reconciled to the information in the financial accounting system at least on a quarterly basis.

Management's Response

DO management agrees that the property findings are accurate and that we will begin to capture financial data for all new property valued over $300. DO will continue to work on resolving the findings. During FY 1999, DO corrected the following prior year findings: (1) performed a physical inventory, (2) developed a new data base system, (3) developed procedures for the control of personal property, (4) the fixed assets SOP was updated to reflect the $25,000 capitalization threshold, and (5) the accounting records were brought into agreement with the physical inventory taken by the Facilities Management Division for all Main Treasury/Annex property except for certain Working Capital Fund inventoried items.

KPMG

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Compliance with Laws and Regulations

The Inspector General, U.S. Department of the Treasury, and
Deputy Assistant Secretary (Administration)
Departmental Offices, U.S. Department of the Treasury:

We have audited the financial statements of the U.S. Department of the Treasury's Departmental Offices (DO) as of and for the year ended September 30, 1999, and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

The management of the DO is responsible for complying with laws and regulations applicable to the DO. As part of obtaining reasonable assurance about whether the DO's financial statements are free of material misstatement, we performed tests of the DO's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 98-08, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the DO. However, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 98-08, as amended.

Under FFMIA, we are required to report whether the DO's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) Federal accounting standards, and (3) the United States Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance for FFMIA included in Appendix D of OMB Bulletin 98-08, as amended.

The results of our tests disclosed no instances in which the DO's financial management systems did not substantially comply with the requirements discussed in the preceding paragraph.

This report is intended solely for the information and use of the DO's management, the U.S. Department of the Treasury Office of the Inspector General, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 14, 2000

Department of the Treasury
Departmental Offices
Consolidated Balance Sheet
As of September 30, 1999
(In thousands)

ASSETS	
Entity Assets:	
Intra-governmental Assets	
Fund Balance with Treasury (Note 2)	$ 397,536
Investments and Related Interest (Note 3)	1,521
Other Intra-governmental Assets (Note 4)	27,938
Total Intra-governmental Assets	426,995
Property, Plant & Equipment, Net (Note 5)	5,467
Other Assets (Note 4)	822
Total Entity Assets	433,284
Non-Entity Assets:	
Intra-governmental Assets	
Fund Balance with Treasury (Note 2)	10
Total Non-Entity Intra-governmental Assets	10
Tax/Trade, Other Non-entity Receivables, and Related Interest (Note 6)	809
Other Assets (Note 4)	56
Total Non-Entity Assets	875
Total Assets	$ 434,159
LIABILITIES	
Liabilities Covered by Budgetary Resources	
Intra-governmental Liabilities	
Due to the General Fund (Note 7)	$ 865
Other (Note 8)	181,358
Total Intra-governmental Liabilities Covered by Budgetary Resources	182,223
Other Liabilities (Note 8)	43,110
Total Liabilities Covered by Budgetary Resources	225,333
Liabilities Not Covered by Budgetary Resources	
Intra-governmental Liabilities	
Other (Note 8)	1,480
Total Intra-governmental Liabilities - Not Covered by Budgetary Resources	1,480
Other Liabilities (Note 8)	16,182
Total Liabilities Not Covered by Budgetary Resources	17,662
Net Position (Note 10)	191,164
Total Liabilities and Net Position	$ 434,159

The accompanying notes are an integral part of these statements

Department of the Treasury
Departmental Offices
Consolidated Statement of Net Cost
For the Year Ended September 30, 1999
(In thousands)

Costs:	
Program A	
Economic: Promote Prosperous and Stable American and World Economies	
Intragovernmental Costs	$ 13,448
With the Public	27,876
Total	41,324
Less Earned Revenues	-
Net Program Costs	41,324
Program B	
Financial: Manage the Government's Finances	
Intragovernmental Costs	3,016
With the Public	15,831
Total	18,847
Less Earned Revenues	-
Net Program Costs	18,847
Program C	
Law Enforcement: Protect Our Financial Systems and Our Nation's Leaders and Foster a Safe and Drug Free America	
Intragovernmental Costs	99,241
With the Public	7,911
Total	107,152
Less Earned Revenues	-
Net Program Costs	107,152
Costs not assigned to programs:	
Reimbursable Costs Incurred for Other Treasury Suborganizations	196,550
Other	215,595
Total	412,145
Less earned revenues not attributed to programs:	
Reimbursements Earned from Other Treasury Suborganizations	196,550
Other	19,243
Total	215,793
Net Cost of Operations	$ 363,675

The accompanying notes are an integral part of these statements

Department of the Treasury
Departmental Offices
Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 1999
(In thousands)

Net Cost of Operations	$ 363,675
Non-Exchange Revenues and Financing Sources:	
Appropriation Used	352,388
Interest Revenue	34
Imputed Financing Sources	6,344
Other	1,101
Total Financing Sources	359,867
Net Results of Operations	(3,808)
Prior Period Adjustments	(67)
Net Change in Cumulative Results of Operations	(3,875)
Increase in Unexpended Appropriation	58,841
Change in Net Position	54,966
Net Position -- Beginning of Year	136,198
Net Position -- End of Year	$ 191,164

The accompanying notes are an integral part of these statements

Department of the Treasury
Departmental Offices
Combined Statement of Budgetary Resources
As of September 30, 1999
(In thousands)

Budgetary Resources:	
Budget Authority	$ 376,527
Unobligated Balance	59,578
Spending Authority from Offsetting Collections Earned	229,828
Adjustments	76,389
Total Budgetary Resources	742,322
Status of Budgetary Resources:	
Obligations Incurred	667,153
Unobligated Balances Available	70,089
Unobligated Balances Not Available	5,080
Total Budgetary Resources	742,322
Outlays:	
Obligations Incurred	667,153
Spending Authority from Offsetting Collections and Adjustments	(308,007)
Obligated Balance, Net-Beginning of Year	378,607
Obligated Balance, Net-End of Year	(363,273)
Total Outlays	$ 374,480

The accompanying notes are an integral part of these statements

Department of the Treasury
Departmental Offices
Combined Statement of Financing
As of September 30, 1999
(In thousands)

Obligations and Nonbudgetary Resources:	
Obligations Incurred	$ 667,153
Less: Spending Authority from Offsetting Collections and Adjustments	(308,007)
Imputed Financing	6,344
Exchange Revenue Not in the Budget	14
Total Obligations as Adjusted and Nonbudgetary Resources	365,504
Resources Not Funding Net Cost of Operations:	
Change in Undelivered Orders	(12,947)
Capitalized Costs	4,110
Total Resources Not Funding Net Cost of Operations	(8,837)
Costs Not Requiring Resources:	
Other	6,537
Total Costs Not Requiring Resources	6,537
Financing Sources Yet to Be Provided	471
Net Cost of Operations	$ 363,675

The accompanying notes are an integral part of these statements

Department of the Treasury
Departmental Offices
Consolidated Statement of Custodial Activity
For the Year Ended September 30, 1999
(In thousands)

Sources of Custodial Revenue & Collections:	
Revenue Received	
Fines, Penalties, Interest & Other Revenue	$ 4,816
Total Revenue Received	4,816
Accrual Adjustment	293
Total Revenue	5,109
Disposition of Revenue Receipts:	
Amounts Provided to the Federal Government	4,816
Accrual Adjustment	293
Total Disposition of Custodial Revenue & Collections	5,109
Net Custodial Revenue Activity	$ -

The accompanying notes are an integral part of these statements

Notes to the Departmental Offices' Financial Statements
September 30, 1999
($ In thousands)

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of Departmental Offices (DO) funds as required by the CFO Act of 1990 and the GMRA of 1994. They have been prepared from the books and records of DO in accordance with the Statement of Federal Financial Accounting Standards specified by the Office of Management and Budget (OMB) and DO Accounting Office policies which are summarized in this note.

Reporting Entity

The reporting entity, Departmental Offices, comprises the following funds: Salaries and Expenses (S&E), International Affairs (IA), Treasury Building and Annex Repair and Restoration (TBARR), Office of the Inspector General (OIG), General Fund receipts, Deposit Fund accounts, Clearing accounts, Working Capital Fund (WCF), Gifts and Bequests Fund (GBF), Violent Crime Reduction Trust Fund (VCRT), Sallie Mae Fund (SMF), Treasury Counter Terrorism Fund (TCTF), Office of Professional Responsibility (OPR), U.S. Community Adjustment & Investment Program (USCAIP), Automation Enhancement (AUEN), Payment to DOJ-FSLIC Resolution Fund (PTJ), Interagency Crime Reduction Trust Corporation (ICDEF), and International Affairs Technical Assistance as described below:

<u>The S&E Appropriation</u> was funded pursuant to P.L. 105-277, to be available for the salaries and expenses of the Office of the Secretary of the Treasury. The S&E was enacted to provide resources for the policy development and analysis functions of the Office of the Secretary. The S&E Treasury fund symbol is 20 0101.

<u>The IA No-Year and Multi-Year Account Balances</u> consist primarily of financing from the Agency for International Development (AID) for Eastern Europe and Former Soviet Union purposes. The IA Treasury symbol is 20 0171.

<u>The TBARR Appropriation</u> was enacted for the repair, alteration, and improvement of the Treasury Building and Annex. The TBARR Treasury fund symbol is 20X0108.

The OIG Appropriation was established by Congress pursuant to the Inspector General Act of 1978. The FY 1999 appropriation was funded pursuant to P.L. 105-277 to provide resources for conducting and supervising audits, evaluations, and investigations of Treasury Department programs, organizations, and bureaus. The OIG Treasury fund symbol is 20 0106.

The General Fund receipt accounts are used to deposit funds not earmarked by law for a specific purpose.

The Deposit Fund account is used to temporarily hold funds, which have not been readily identified to the appropriate account.

Clearing accounts are used to temporarily hold funds pending clearance to applicable accounts.

The WCF was established pursuant to Section 401 of P.L. 91-614, to be available for expenses and equipment necessary for the maintenance and operation of administrative services that the Secretary of the Treasury, with the approval of the Director of the OMB, determines may be performed more advantageously and economically as central services. The Treasury fund symbol is 20X4501.

The GBF was established pursuant to P.L. 98-369, which gave the Secretary of the Treasury authority to accept, hold, administer, and use gifts and bequests of both real and personal property for the purpose of aiding or facilitating the work of the Department of the Treasury. There are no salary or benefit costs funded from the GBF. The Treasury fund symbol is 20X8790.

The VCRT Fund was established pursuant to P.L. 103-329. The purpose of the Fund, among other things, is to provide funding for the necessary expenses of the Office of Enforcement for overseeing the implementation of the Violent Crime Control and Law Enforcement Act of 1994, as it relates to the jurisdiction of the Department of the Treasury. The Treasury fund symbol is 20X8527.

The Sallie Mae Fund was established pursuant to P.L. 104-208, to provide enhanced financial safety and soundness oversight of the Student Loan Marketing Association by the Secretary of the Treasury. The legislation authorizes Treasury to assess Sallie Mae for the costs of oversight, beginning October 1,1996, and to spend the assessment for oversight not to exceed $800,000 per year (adjusted for inflation). The Treasury fund symbol is 20X5407.

The Treasury Counter Terrorism Fund was established pursuant to P.L. 104-208, the Omnibus Consolidated Appropriation Act of 1997. The Counter Terrorism Fund was established to reimburse Treasury organization for the costs of providing support to counter, investigate, or prosecute terrorism, including payment of rewards in connection with these activities. The Treasury fund symbol is 20X0117.

The OPR Fund was funded pursuant to P.L. 105-61 of the Treasury, Postal Service and General Government Appropriation Act. The purpose of the fund is to coordinate oversight for the Office of the Under Secretary (Enforcement) regarding management and supervision on enforcement and regulatory matters. The Treasury fund symbol is 20 0116.

The U.S. Community Adjustment & Investment Program (USCAIP) was established pursuant to the "Cooperation Agreement" which is an agreement between the North American Free Trade Agreement (NAFTA), the United States Government, and the Government of Mexico. The purpose of the program is to provide financing for commercial activities that create job opportunities in communities that have been impacted by changes in trade patterns due to the NAFTA. Funding was also provided in P.L. 105-277 for the same purpose. The Treasury fund symbols are 20X6184 & 209/00118.

The Automation Enhancement Fund (AUEN) was established pursuant to P.L. 104-208 to provide for the development and acquisition of automatic data processing equipment, software and other computer services for the Department of the Treasury. The Treasury fund symbol is 20 0115.

The FSLIC Resolution Fund (PTJ) was established pursuant to P.L. 104-208. The fund authorizes the Treasury to use funds made available to the FSLIC Resolution Fund under P.L. 103-327 to reimburse the Department of Justice (DOJ) for a reasonable amount of litigation expenses that are incurred in the defense of claims against the U.S. arising from the Financial Institution Reform, Recovery and Enforcement Act (FIRREA) and its implementation. The Treasury fund symbol is 20X0177.

The ICDEF Fund was established for the detection and investigation of individuals involved in organized crime drug trafficking, including cooperative efforts with state and local law enforcement. The Treasury fund symbol is 20 1501.

International Affairs Technical Assistance has two Treasury fund symbols that were enacted by P.L. 105-277 in division A, section 101(d), Foreign Operations, Export Financing, and related Programs Appropriations Act, 1999. One fund symbol is utilized to support the operation and expenses of the International Financial Institution Advisory Commission and the International Monetary Fund Advisory Committee. The Treasury fund symbol is 110/91045. The other fund Symbol provides for technical assistance to other countries in support of the responsibilities of the U.S. Treasury Department to formulate, conduct and coordinate the international financial policies of the United States. The Treasury fund symbol is 11X1045.

Budget and Budgetary Accounting

S&E, OIG and TBARR Congress funds the S&E, OIG and TBARR accounts with annual, no-year, and multiple year appropriations, limiting the dollar amount of obligation that can be incurred for travel, unforeseen emergencies of a confidential nature, or for representation purposes.

WCF Almost all WCF funding is obtained from annual advances from Treasury bureaus (and certain other Federal agencies) that are used to fund the expenses of the WCF. Additional advances are obtained from those bureaus whose usage will exceed their original annual advance to the WCF. After the close of each fiscal year, the Financial Management Division (FMD) obtains a certification from all applicable WCF program managers that the WCF carry-over balances for their programs are required to meet the needs of the WCF.

GBF The budget authority for GBF is derived from donations accepted plus interest received on GBF monies invested in Public Debt securities. GBF funds are not restricted for use in a specific fiscal year.

Accounting Standards

The standards used in the preparation of the accompanying financial statements are issued by the Office of Management and Budget pursuant to recommendations of the Federal Accounting Standards Advisory Board. On October 19, 1999, the governing Council of the American Institute of Certified Public Accountants (AICPA) amended the AICPA's Code of Professional Conduct to designate the Federal Accounting Standards Advisory Board as the body authorized to establish Generally Accepted Accounting Principles for Federal Government entities. Accordingly, the accompanying financial statements are in accordance with Generally Accepted Accounting Principles.

Prior to the AICPA Council's action, the AICPA considered Federal accounting standards as representing a comprehensive basis of accounting other than Generally Accepted Accounting Principles.

Basis of Accounting

DO's financial statements are recorded on the accrual and budgetary bases. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and monitoring of budget authority through the various stages of execution, including allotments, obligation and eventual outlay.

Revenue and Other Financing Sources

With the exception of WCF and GBF programs, DO programs receive the majority of the funding through appropriations or fund transfers. These funds receive annual, no-year, or multi-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained through reimbursements for services performed for other Federal agencies.

S&E and other DO appropriations recognize revenues at the time program and administrative expenses are incurred. For other types of DO funds, revenues are recognized when earned (i.e., goods delivered or services rendered).

WCF advances are recognized as revenue when earned (i.e., goods have been delivered or services rendered). Advances expended for equipment are recognized as expenses when the asset is consumed in operations.

GBF receives all of its funding from monetary gifts accepted from donors, and interest received on invested funds. Monetary gifts are recognized as a financing source when deposited, and interest on invested funds is recognized as revenue when earned. Non-monetary gifts are recognized as revenue at the estimated fair market value of the gifts when they are officially received and accepted by the Department of the Treasury.

Fund Balance with U.S. Treasury

DO does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The balance of funds with the U.S. Treasury represents appropriated, revolving, and trust funds that are available to pay current liabilities, and finance authorized purchase commitments relative to goods or services that have not been received.

Investments in U.S. Government Securities

Investments in U.S. Government securities are reported at cost, which approximates fair market value. Funds are invested in Treasury certificates that mature and pay interest on October 1, January 1, April 1, and July 1 (or at redemption). It is the policy for the GBF to invest as much as possible in Public Debt securities, while maintaining enough available cash to cover required GBF disbursements.

Accounts Receivable

Intragovernmental (Federal) accounts receivable represent billed and unbilled costs on services provided to other Government agencies/bureaus. Since these balances are expected to be fully collected, no allowance for estimated uncollectable accounts has been established.

Non-entity receivables consist of civil monetary penalties assessed by the Office of Foreign Assets Control (OFAC) and billings for services related to the Freedom of Information Act. Funds received are not available for use by DO. Due to difficulty in predicting a rate of collection success on these types of receivables, an allowance was estimated based on prior year statistics.

Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

Property and Equipment

The Treasury Complex (Main Treasury Building and Annex) was declared a national historic landmark in 1972. The Treasury Complex is treated as a heritage asset, it is expected to be preserved indefinitely, and it is not capitalized.

With the exception of the Treasury Complex, land and buildings in which DO organizations operate are provided by the General Services Administration (GSA). GSA charges DO rent comparable to that of commercial rental rates for similar properties. Equipment with an initial acquisition cost of $25,000 or more is capitalized when the equipment has a service life of two years or greater. Equipment with an acquisition cost of less than $25,000, or a service life of less than two years, is expensed when purchased. Depreciation for equipment capitalized is based upon the straight-line method of depreciation over an estimated useful life that is usually between 3-15 years. GBF does not recognize depreciation on assets purchased by the GBF which are considered to appreciate in value.

All donated non-monetary assets are reflected as part of GBF on a temporary basis until they have been officially transferred to the Treasury bureau that will benefit from the donated gift. Transfers are recorded in the fiscal year of transfer at the fair market value of the gift when received and accepted. The Department annually prepares a GBF report that reflects a complete inventory of all new gifts received and accepted by the Department in the fiscal year. This report is available for public inspection in compliance with the public disclosure requirements in P.L. 98-369.

Liabilities

Liabilities represent the amount owed by DO as the result of a transaction or an event that has already occurred as of fiscal year-end. However, DO cannot pay a liability in the absence of an appropriation, reimbursable agreement, or a transfer of funds. Liabilities for which funds have not been made available are classified as liabilities not covered by budgetary resources, and there is no certainty that the funds will be made available. Liabilities of DO can be abrogated by the government acting in its sovereign capacity.

Advances from others consist of remaining balances advanced from Treasury bureaus or other Government agencies that are available for incurring additional expenses and to cover expenses incurred but unbilled at the end of the fiscal year. On a quarterly basis, as disbursements are identified by specific client, the advances from others balance is reduced.

Annual, Sick and Other Leave

Annual leave is accrued when it is earned. The accrual is reduced when leave is taken. The balance in the accrued leave account reflects pay rates in effect as of the end of the applicable fiscal year. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed when taken.

Retirement Plan

Most DO employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS). For FY 1999, DO contributed 8.51 percent of basic pay and the employees contributed 7.25 percent of basic pay for a total contribution rate of 15.76 percent. The cost of providing a CSRS benefit, which is estimated at 24.2 percent by the Office of Personnel Management (OPM), is more than the amounts contributed by DO and the employees.

On January 1, 1987, the Federal Employees' Retirement System (FERS) was established by Congress and went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1986 are automatically covered by FERS and Social Security. A primary feature of FERS is that it offers a savings plan to which DO automatically contributes 1 percent of basic pay and matches employee contributions up to an additional 4 percent of basic pay. For most employees hired after December 31, 1983 DO also contributes the employers matching share for Social Security. For the FERS basic benefit, the employee contributes 1.05 percent of their basic pay, while DO contributes 10.7 percent of base pay, for a total contribution rate of 11.75 percent in FY 1999. The cost of providing a FERS basic benefit, as provided by OPM, is equal to the amounts contributed by DO and the employees, therefore the plan is fully funded.

Per Statement of Federal Financial Accounting Standard (SFFAS) No. 5, bureaus are required to report the full cost of providing pension benefits to include the cost financed by OPM. The additional pension expense totaling $2,477 is included as an expense and as an imputed financing source in DO financial statements for FY 1999.

DO does not report CSRS assets, FERS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to retirement plans; because the accounting for and reporting of such amounts is the responsibility of OPM. Contributions of $11,216 related to these plans were made for FY 1999.

Similar to Federal retirement plans, OPM, rather than DO, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) Program. As result of SFFAS No. 5, bureaus are required to report the full cost of providing other retirement benefits (ORB). Currently DO does not recognize expenses or contribute funds for the cost to provide health benefits and life insurance to its retirees. The FY 1999 FEHBP cost factor applied to a weighted average number of employees enrolled in the FEHBP is $3, which is provided by OPM. The FEHBP ORB amount totaling $3,849 is included as an expense and imputed financing source in DO financial statements for FY 1999. The FY 1999 FEGLI cost factor for employees enrolled in the FEGLI program is .0002 percent of their basic pay. The FEGLI ORB amount totaling $18 is included as an expense and imputed financing source in DO financial statements for FY 1999.

In addition to requiring bureaus to record the full cost for pensions and other retirement benefits, SFFAS No. 5 also requires bureaus to recognize an expense and liability for other post-employment benefits (OPEB), which includes all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents. DO recognizes an expense and liability for OPEB when a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the end of the fiscal year.

Worker's Compensation

A liability is recorded for estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The FECA program is administered by the U.S. Department of Labor (Labor) which initially pays valid claims and subsequently seeks reimbursement from Federal agencies employing the claimants.

Reimbursement to Labor for payments made occurs approximately two years subsequent to the actual disbursement. Budgetary resources for this liability are made available to DO as part of its annual appropriation from Congress in the year in which the reimbursement takes place. DO accrued liability to Labor for payments made but not covered by budgetary resources as of September 30, 1999 is $1,480.

Labor determines the amount of actuarial liability for the Department of the Treasury (Treasury) as a whole. Below is a description of how Labor determines the actuarial liability.

The estimate as of the end of the fiscal year includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability was determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Projected annual benefit payments have been discounted to present value using the Office of Management and Budget's economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized for discounting were as follows:

5.50% in year 1,
5.50% in year 2,
5.55% in year 3, and
5.60% in year 4 and thereafter.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) were applied to the calculation of projected future benefits. These factors were also used to adjust the methodology's historical payments to current year constant dollars. The methodology also included a discounting formula to recognize the timing of compensation payments as thirteen payments per year, instead of one lump sum payment per year. The projected number of years of benefit payments is 37 years.

The compensation COLAs and CPIMs used in the projections were as follows:

FY	COLA	CPIM
1989	4.47%	6.98%
1990	4.43%	8.40%
1991	5.03%	9.36%
1992	5.00%	7.96%

1993	2.83%	6.61%
1994	2.77%	5.27%
1995	2.57%	4.72%
1996	2.63%	4.00%
1997	2.77%	3.11%
1998	2.70%	2.76%
1999	1.53%	3.51%
2000	1.83%	3.66%
2001	2.33%	3.99%
2002	2.40%	4.02%
2003	2.43%	4.08%
2004+	2.50%	4.08%

The model's resulting projections were analyzed to ensure that the amounts were reliable. The analysis was based on three tests: 1) a comparison of the current year projections to the prior year projections, 2) a comparison of the prior year projected payments to the current year actual payments (excluding any new case payments that had arisen during the current year), and 3) a comparison of the current year actual payment data to the prior year actual payment data. Based on the outcome of this analysis, ad hoc adjustments were made to correct any anomalies in the projections.

The Treasury actuarial liability amount determined by Labor is allocated by Treasury to its bureaus, including DO, based on payment history for the bureau. The net present value of estimated payments is not covered by budgetary resources and will require future funding. DO's estimated actuarial liability as of September 30, 1999, is $6,674.

Net Position

Unexpended Appropriations represents the amount of spending authorized as of year-end that has not been expended. No-year appropriations remain available for obligation until expended. Annual appropriations remain available for upward or downward adjustment of obligations until expired.

Cumulative Results of Operations represent the cumulative net income or net loss since inception for all applicable DO funds. Included as a reduction in cumulative results of operations, are liabilities incurred by the Department that will require funding from future appropriations. Liabilities incurred requiring funding from future appropriations include accumulated annual leave earned but not taken, accrued workers' compensation, capital lease requirements, and contingent liabilities.

Prior Period Adjustments

The DO has restated its beginning net position to reflect an adjustment related to unexpended appropriations. Certain prior year reimbursable authority was recorded as an annual appropriation; thereby overstating unexpended appropriations by $67.

Net position:

As previously reported	$136,198
As restated	$136,131

In accordance with Departmental guidance, the DO has restated its beginning unobligated balance to include certain accounts classified as non-entity in the prior year and excluded from the FY 1998 Combined Statement of Budgetary Resources. The reclassification resulted in a net increase of $6,412 to the beginning unobligated balance for FY 1999 reporting.

Unobligated balance, beginning of the year:

As previously reported	$ 53,166
As restated	$ 59,578

Note 2 - Fund Balance with Treasury

	Entity	Non-Entity	Total
Trust Funds	$ 20,944	$ -	$ 20,944
Revolving Funds	182,821	-	182,821
Appropriated Funds	233,183	-	233,183
Other Fund Types	(39,412)	10	(39,402)
Total Fund Balance	397,536	10	397,546

Note 3 - Investments & Related Interest, Net

Investments, Net

Type of Investment	Cost	Amortized (Premium)/ Discount	Investment Balance 9/30/99
Non-Marketable Par Value	$ 1,507	$ -	$ 1,507
Total Investments, Net	1,507	-	1,507

Interest Receivable & Adjustments

Type of Investment	Interest Receivable	Adjustments	Total Interest Receivable
Non-Marketable Par Value	$ 14	$ -	$ 14
Total Interest Receivable & Adjustments	14	-	14
Total Investments & Related Interest, Net	1,521	-	1,521

Note 4 - Other Assets

Other Entity Assets - Intragovernmental	
Accounts Receivable, Net	$ 25,745
Other Advances, Prepayments, Deposits	2,193
Total Other Entity Assets - Intragovernmental	27,938
Other Entity Assets	
Accounts Receivable, Net	105
Other Advances, Prepayments, Deposits	717
Total Other Entity Assets	822
Other Non-Entity Assets	
Interest Receivable	56
Total Other Non-Entity Assets	56

Note 5 - Property, Plant & Equipment, Net

Category	Depreciation Method	Service Life	Acquisition Cost	Accumulated Depreciation	Net Book Value
ADP Software	S/L	3-5 yrs	$ 327	$ (322)	$ 5
Equipment	S/L	3-15 yrs	19,983	(14,709)	5,274
Assets under Capital Lease	S/L	3-5 yrs	80	(69)	11
Other	N/A	20 or more yrs	177	-	177
Total Property, Plant & Equipment, Net	N/A	N/A	20,567	(15,100)	5,467

Note 6 - Tax/Trade Receivables & Related Interest, Net

Other Accounts Receivable & Interest - Gross	$ 2,014
Total Other Accounts Receivable & Interest - Gross	2,014
Less Allowance	(1,205)
Total Tax/Trade Receivables & Related Interest, Net	809

Note 7 - Due to the General Fund

Tax/Trade and Other Non-Entity Receivables	$	809
Other Assets		56
Total Due to the General Fund		865

Note 8 - Other Liabilities

Other Liabilities (Intragovernmental) - Covered by Budgetary Resources

Accounts Payable & Related Interest	$	19,107
Advances from Others		161,174
Liability for Deposits Funds & Suspense Accounts		1,077
Total Other Liabilities (Intragovernmental)		181,358

Other Liabilities - Covered by Budgetary Resources

Accounts Payable & Related Interest	34,629
Accrued Payroll & Benefits	8,285
Liability for Deposit Funds & Suspense Accounts	196
Total Other Liabilities	43,110

Other Liabilities (Intragovernmental) - Not Covered by Budgetary Resources

Actual FECA Benefits Paid By Labor & Billed to Agency	1,480
Total Other Liabilities (Intragovernmental)	1,480

Other Liabilities - Not Covered By Budgetary Resources

Accrued Payroll & Benefits	9,194
Capital Lease Liabilities	13
Contingencies	300
Actuarial Liability	6,675
Total Other Liabilities	16,182

Note 9 - Leases

Assets Under Capital Lease		Acquisition Cost		Accumulated Amortization		Net Book Value
Equipment	$	80	$	(69)	$	11
Total Assets Under Capital Lease		80		(69)		11

Future Payments Due	Equipment
Year 2000	13
Total Future Payments Due	13
Less Imputed Interest & Execution Cost	-
Total Capital Lease Liability	13

Note 10 - Net Position

Net Position		Trust Funds		Appropriated Funds		Total
Unexpended Appropriations						
Unobligated - Available	$	1,977	$	68,112	$	70,089
Unobligated - Unavailable		-		5,080		5,080
Obligations/Undelivered Orders		16,994		113,608		130,602
Total Unexpended Appropriations		18,971		186,800		205,771
Cumulative Results of Operations		1,539		(16,146)		(14,607)
Total Net Position		20,510		170,654		191,164

Department of the Treasury
Departmental Offices
Required Supplementary Information

Department of the Treasury
Departmental Offices
Required Supplementary Information
(In thousands)

Heritage Assets

The Treasury Complex (Main Treasury Building and Annex) was declared a National historic landmark in 1972. The condition of the Treasury Complex is considered good. The appraised value of the Treasury Complex is $26,025.

Stewardship Land

The land associated with the Treasury Complex was also declared a National historic landmark in 1972. The appraised value of the land is $24,325.

Cost related to the renovation, restoration, and reconstruction of the Main Treasury Building and Annex in FY 99 was $9,709.

Department of the Treasury
Working Capital Fund
Required Segment Information
As of September 30, 1999
(In thousands)

The Working Capital Fund was established pursuant to Section 401 of P.L. 91-614, to be available for expenses and equipment necessary for the maintenance and operation of administrative services that the Secretary of the Treasury, with the approval of the Director of the OMB, determines may be performed more advantageously and economically as central services.

Fund Balance with Treasury	$	182,821
Accounts Receivable		21,813
Property, Plant and Equipment		5,223
Other Assets		730
Total Assets	$	210,587
Accounts Payable	$	33,771
Other Liabilities		176,816
Total Liabilities		210,587
Cumulative Results of Operations		-
Total Liabilities and Net Position	$	210,587
Total Costs		242,212
Exchange Revenue		242,212
Excess of Revenue Over Costs	$	-

Advances from others consist of remaining balances advanced from Treasury bureaus or other Government agencies to the Working Capital Fund that are available for incurring additional expenses and to cover expenses incurred but unbilled at the end of the fiscal year.

Advances from Others:		
Alcohol, Tobacco, and Firearms	$	6,258
Bureau of Engraving and Printing		1,870
Bureau of Public Debt		1,325
Community Development Financial Institutitons		403
Comptroller of the Currency		2,180
Customs Service		15,920
Department of Agriculture		97
Department of Commerce		1
Department of Justice		271
Department of Labor		1
Department of the Navy		155
Executive Office of Asset Forfeiture		1,476
Federal Financing Bank		16
Federal Highway Administration		1
Federal Law Enforcement Training Center		411
Financial Crimes Enforcement Network		378
Financial Management Service		3,702
General Accounting Office		5
General Services Administration		37
Housing and Urban Development		10
Internal Revenue Service		106,293
Joint Committee on Taxation		1
National Security Agency		3,660
National Women's Business Council		1
Office of Thrift Supervision		95
Saudi Arabian Group		7
Secret Service		6,073
Surface Transportation Board		45
Synthetic Fuel Projects		4
Treasury Franchise Administration Center		337
Treasury Franchise Fund		1
United States Mint		2,687
United States Tax Court		37
White House Communications		1
Total Advances from Others	$	153,759

Department of the Treasury
Departmental Offices
Required Disaggregated Statement of Budgetary Resources
For the Year Ended September 30, 1999
(In thousands)

	Appropriated Funds	Revolving Funds	Trust Funds	Total
Budgetary Resources				
Budget Authority	$ 351,406	$ -	$ 25,121	$ 376,527
Unobligated Balance	57,632	-	1,946	59,578
Spending Authority from Offsetting Collections Earned	11,021	218,793	14	229,828
Adjustments	41,853	34,536	-	76,389
Total Budgetary Resources	461,912	253,329	27,081	742,322
Status of Budgetary Resources				
Obligations Incurred	388,720	253,329	25,104	667,153
Unobligated Balances Available	68,112	-	1,977	70,089
Unobligated Balances Not Available	5,080	-	-	5,080
Total Budgetary Resources	461,912	253,329	27,081	742,322
Outlays				
Obligations Incurred	388,720	253,329	25,104	667,153
Spending Authority from Offsetting Collections and Adjustments	(54,664)	(253,329)	(14)	(308,007)
Obligated Balance, Net-Beginning of the Period	122,935	236,553	19,119	378,607
Obligated Balance Transferred, Net	-	-	-	-
Obligated Balance, Net-End of Period	(159,968)	(182,821)	(20,484)	(363,273)
Total Outlays	$ 297,023	$ 53,732	$ 23,725	$ 374,480