



Audit Report



OIG-10-021

Management Letter for Fiscal Year 2009
Audit of the Financial Management Service's
Schedule of Non-Entity Government-wide Cash

December 10, 2009

Office of
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

**MEMORANDUM FOR DAVID A. LEBRYK, COMMISSIONER
FINANCIAL MANAGEMENT SERVICE**

FROM: Michael Fitzgerald
Director, Financial Audits

SUBJECT: Management Letter for Fiscal Year 2009
Audit of the Financial Management Service's
Schedule of Non-Entity Government-wide Cash

I am pleased to transmit the attached management letter in connection with the audit of the Financial Management Service's (FMS) Fiscal Year (FY) 2009 Schedule of Non-Entity Government-wide Cash. Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent certified public accounting firm, performed an audit of FMS's Schedule of Non-Entity Government-wide Cash for FY 2009. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended; and the *GAO/PCIE Financial Audit Manual*.

As part of its audit, KPMG LLP issued and is responsible for the accompanying management letter that discusses a matter relating to Government-wide Cash that was identified during the audit but was not required to be included in the auditors' reports.

In connection with the contract, we reviewed KPMG LLP's letter and related documentation and inquired of its representatives. Our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

Page 2

Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Mark S. Levitt, Manager, Financial Audits at (202) 927-5076.

Attachment

cc: Richard L. Gregg
Acting Fiscal Assistant Secretary



KPMG LLP
2001 M Street, NW
Washington, DC 20036

December 7, 2009

Inspector General, U.S. Department of the Treasury and the
Commissioner of the Financial Management Service:

We have audited the Schedules of Non-Entity Government-wide Cash (GWC) of the U.S. Department of the Treasury's Financial Management Service (FMS) as of September 30, 2009 and 2008 (hereinafter referred to as the Schedules), and have issued our report thereon dated December 7, 2009. In planning and performing our audit of these Schedules, in accordance with auditing standards generally accepted in the United States of America, we considered internal control over financial reporting relating to GWC as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedules and not for the purpose of expressing an opinion on the effectiveness of FMS' internal control over financial reporting relating to GWC. Accordingly, we do not express an opinion on the effectiveness of FMS' internal control over financial reporting relating to GWC. We have not considered internal control since the date of our report.

During our audit we noted a matter relating to GWC that we present for your consideration. This comment and recommendation, which has been discussed with appropriate members of FMS management, is intended to improve internal control over financial reporting, and is summarized in the Exhibit.

Our audit procedures are designed primarily to enable us to form an opinion on the Schedules described above, and therefore may not bring to light all deficiencies in policies, procedures, or internal control that may exist. We aim, however, to use our knowledge of FMS relating to GWC gained during our work to make comments and suggestions that we hope will be useful to you. We would be pleased to discuss this comment and recommendation with you at any time.

FMS' response to our comment and recommendation has not been subjected to the auditing procedures applied in our audit of the Schedules, and, accordingly, we express no opinion on them.

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

KPMG LLP

**U.S. Department of the Treasury
Financial Management Service**

Schedules of Non-Entity Government-wide Cash (GWC) as of September 30, 2009 and 2008

Current Year Comments and Recommendations

1. Understatement of the Schedule of Non-Entity Government-wide Cash as of June 30, 2009

The June 24, 2009 transcript from the Treasury Check Information System (TCIS) transit account subsidiary ledger was blank when initially posted to STAR (Treasury's Central Accounting System), and the transcript data was not entered into STAR until July 8, 2009. Therefore, the GWC schedule as reported at June 30, 2009 was incomplete because the STAR general ledger, which supports the GWC schedule, did not agree to TCIS. This occurred because system edit checks in STAR do not check nor alert FMS to blank transcripts submitted by TCIS. As a result, we noted an understatement of the GWC balance, as of June 30, 2009, totaling \$32.4 million.

OMB Circular No. A-123, *Management's Responsibility for Internal Control*, states "transactions should be promptly recorded, properly classified and accounted for in order to prepare timely and reliable financial and other reports."

Recommendation:

We recommend that FMS implement procedures to ensure that rejected duplicate transcripts from TCIS are identified, and, if necessary, promptly entered into STAR, and reported in the GWC Schedule.

Management's Response:

FMS has implemented procedures to ensure that rejected duplicate transcripts from TCIS are identified, researched, and if necessary, promptly entered into STAR, and reported in the GWC Schedule. The Cash Accounting Division (CAD) obtains a daily STAR report of rejected duplicate transcripts from TCIS and contacts the TCIS staff to identify the cause of any rejected items. If CAD determines it is necessary, the rejected duplicate transcript is entered into STAR and reported in the GWC Schedule.