



U.S. Department of Agriculture's Closing Package Reclassified Balance Sheet for Fiscal Year 2017

Audit Report 50401-0015-11

OIG audited USDA's closing package reclassified balance sheet for FY 2017 and assessed internal controls over financial reporting and compliance with reporting requirements.

OBJECTIVE

Our objectives were to determine whether (1) USDA's closing package reclassified balance sheet was fairly presented in accordance with generally accepted accounting principles; (2) internal control objectives for the financial reporting process were met; and (3) the Department complied with the reporting requirements for the "Financial Report of the United States Government."

REVIEWED

To assess whether information in the underlying accounting records and other sources was reliable and sufficient to serve as the basis of USDA's closing package reclassified balance sheet, we performed tests at the financial offices of various USDA agencies and offices in Washington, D.C., at USDA's National Finance Center in New Orleans, LA, and at selected agencies' field offices.

RECOMMENDS

This report does not contain recommendations.

WHAT OIG FOUND

USDA received an unmodified opinion from the Office of Inspector General's audit of USDA's closing package reclassified balance sheet. We determined that the Department's closing package reclassified balance sheet for fiscal year 2017 presented the Department's financial position as of September 30, 2017 fairly, in all material respects, and was prepared in accordance with accounting principles generally accepted in the United States of America. This includes the notes related to the closing package reclassified balance sheet.

Our consideration of USDA's internal control over financial reporting for the closing package reclassified balance sheet did not identify any deficiencies in internal control that we consider to be material weaknesses. Also, the results of our tests of compliance with the U.S. Department of Treasury's Treasury Financial Manual, Volume I, Part 2, Chapter 4700, "Agency Reporting Requirements for the Financial Report of the United States Government," disclosed no reportable instances of noncompliance.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: November 16, 2017

AUDIT
NUMBER: 50401-0015-11

TO: Lynn Moaney
Acting Deputy Chief Financial Officer
Office of the Chief Financial Officer

ATTN: Annie Walker
Director
Internal Control Division

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: U.S. Department of Agriculture's Closing Package Reclassified Balance Sheet for
Fiscal Year 2017

This report presents the results of our audits of U.S. Department of Agriculture's (USDA) closing package reclassified balance sheet as of September 30, 2017, including related notes. The report contains an unmodified opinion on the closing package reclassified balance sheet, along with our assessment of USDA's internal controls over financial reporting, as well as compliance and other matters specific to that statement.

We appreciate the courtesies and cooperation extended to us during this audit. This report contains publicly available information and will be posted in its entirety to our website <http://www.usda.gov/oig> in the near future.

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Independent Auditor’s Report

Lynn Moaney
Acting Deputy Chief Financial Officer
Office of the Chief Financial Officer

Report on the Closing Package Reclassified Balance Sheet

We have audited the accompanying Closing Package Reclassified Balance Sheet of the U.S. Department of Agriculture (USDA), which is comprised of the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet, as of September 30, 2017, and the related notes to the closing package reclassified balance sheet (hereinafter referred to as the “closing package reclassified balance sheet”). The notes to the closing package reclassified balance sheet comprise the following:

- the sections of the GTAS Closing Package Lines Loaded Report related to the closing package reclassified balance sheet;
- Financial Report (FR) Notes Report for notes related to the closing package reclassified balance sheet (except for the information in the FR Notes Report entitled “2016 – September,” “Prior Year,” “PY,” “Previously Reported,” “Line Item Changes,” “Threshold,” [and the information as of and for the year-ended September 30, 2016 in the “Text Data” of the FR Notes Reports]); and
- the accompanying Additional Note No. 1 (except for the information as of and for the year-ended September 30, 2016).

Management’s Responsibility for the Closing Package Reclassified Balance Sheet

Management is responsible for the preparation and fair presentation of the closing package reclassified balance sheet in accordance with accounting principles generally accepted in the United States of America (U.S.); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the closing package reclassified balance sheet that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the closing package reclassified balance sheet based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in government auditing standards, issued by the Comptroller General of the U.S.; and the Office of Management and Budget (OMB) Bulletin 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the closing package reclassified balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the closing package reclassified balance sheet. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the closing package reclassified balance sheet, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the closing package reclassified balance sheet in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the closing package reclassified balance sheet.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the Closing Package Reclassified Balance Sheet

In our opinion, the closing package reclassified balance sheet referred to above presents fairly, in all material respects, the financial position of USDA as of September 30, 2017, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Additional Note No. 1 (see Exhibit A) to the closing package reclassified balance sheet, which describes that the accompanying closing package reclassified balance sheet was prepared to comply with the requirements of the U.S. Department of the Treasury's (Treasury) *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 (TFM Chapter 4700) for the purpose of providing financial information to the Treasury and the U.S. Government Accountability Office (GAO) to use in preparing and auditing the *Financial Report of the U.S. Government*, and is not intended to be a complete presentation of the consolidated balance sheet of USDA as of September 30, 2017 (hereinafter referred to as "general-purpose balance sheet"). The notes to the closing package reclassified balance sheet are those that the Treasury deemed relevant to the *Financial Report of the U.S. Government*. Our opinion is not modified with respect to this matter.

Other Matters

Opinion on the General-Purpose Balance Sheet

We have audited, in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in government auditing standards issued by the Comptroller General of the U.S.; and OMB Bulletin 17-03, the general-purpose balance sheet of USDA as of September 30, 2017. As explained in our report thereon, dated November 14, 2017, we expressed an unmodified opinion on USDA's general-purpose balance sheet.

Required Supplementary Information and Required Supplementary Stewardship Information

U.S. generally accepted accounting principles require that the information, except for such information entitled “2016-September,” “Prior Year,” “PY,” “Previously Reported,” “Line Item Changes,” and “Threshold” [and the information as of and for the year-ended September 30, 2016 included in the “Text Data” of the FR Notes Reports and “Other Text Data” of the Other Data Report], included in Other Data Report Nos. 1, 8, 9, 15 through 19 be presented to supplement the basic closing package reclassified balance sheet.

Such information, although not a part of the basic closing package reclassified balance sheet, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic closing package financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the closing package reclassified balance sheet, and other knowledge we obtained during our audit of the closing package reclassified balance sheet. Although our opinion on the closing package reclassified balance sheet is not affected, Other Data Report Nos. 8 and 9 contain material departures from the prescribed guidelines because the information included in these Other Data Reports is limited to USDA’s information that will be used for the *Financial Report of the U.S. Government* and does not include all of the information required for USDA’s component-level general-purpose balance sheet. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management’s Discussion and Analysis and the combining Statement of Budgetary Resources that the U.S. generally accepted accounting principles require to be presented to supplement the closing package reclassified balance sheet. Such missing information, although not a part of the closing package reclassified balance sheet, is required by the FASAB who considers it to be an essential part of financial reporting for placing the closing package reclassified balance sheet in an appropriate operational, economic, or historical context. Our opinion on the closing package reclassified balance sheet is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the closing package reclassified balance sheet. The information other than that described in the first paragraph and the paragraph labeled Required Supplementary Information and Required Supplementary Stewardship Information are presented for purposes of additional analysis in accordance with TFM Chapter 4700 and are not a required part of the closing package reclassified balance sheet.

We read the other information included with the closing package reclassified balance sheet in order to identify material inconsistencies, if any, with the audited closing package reclassified balance sheet. Such information has not been subjected to the auditing procedures applied in the audit of the closing package reclassified balance sheet, as of September 30, 2017, and accordingly we do not express an opinion or provide any assurances on it.

Restriction on the Use of the Report on the Closing Package Reclassified Balance Sheet

This report is intended solely for the information and use of the management of USDA, Treasury, OMB, and GAO in connection with the preparation and audit of the *Financial Report of the U.S. Government*, and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with government auditing standards and OMB Bulletin 17-03, we have also issued reports dated November 14, 2017, on our consideration of USDA's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters that are required to be reported under government auditing standards. Those reports are an integral part of an audit performed in accordance with government auditing standards and OMB Bulletin 17-03 in considering USDA's internal control and compliance, and should be read in conjunction with this report in considering the results of our audit of the closing package reclassified balance sheet.

Our audit of the general-purpose balance sheet as of September 30, 2017, disclosed the following material weaknesses, significant deficiencies, and/or compliance and other matters. There were two material weaknesses noted: 1) Improvements Needed in Overall Financial Management and 2) Improvements Needed in Overall Information Technology Security Program and one significant deficiency: 1) Controls Over Unliquidated Obligations Can Be Strengthened. We also noted instances of noncompliance with laws and regulations: 1) Lack of Substantial Compliance with Federal Financial Management Improvement Act of 1996 Requirements, 2) Anti-Deficiency Act Violations, and 3) DATA Act Non-Compliance. Additionally, during fiscal year 2017, we identified instances of noncompliance with the requirements of the Improper Payments Elimination and Recovery Act of 2010 (IPERA), regarding the design of program internal controls related to reporting improper payments. A separate report will be issued with further details on USDA's compliance with improper payment requirements.¹

Internal Control Over Financial Reporting Specific to the Closing Package Reclassified Balance Sheet

In planning and performing our audit of the closing package reclassified balance sheet as of September 30, 2017, we also considered USDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the closing package reclassified balance sheet, but not

¹ IPERA amended the Improper Payments Information Act of 2002, Public Law 107-300. These two laws address improper payment requirements.

for the purpose of expressing an opinion on the effectiveness of USDA's internal control. Accordingly, we do not express an opinion on the effectiveness of USDA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit of the closing package reclassified balance sheet, we did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Compliance and Other Matters Specific to the Closing Package Reclassified Balance Sheet

As part of obtaining reasonable assurance about whether USDA's closing package reclassified balance sheet is free from material misstatement, we also performed tests of its compliance with certain provisions of TFM Chapter 4700, noncompliance with which could have a direct and material effect on the determination of closing package reclassified balance sheet amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit of the closing package reclassified balance sheet, and accordingly, we do not express such an opinion. The results of our tests of compliance with TFM Chapter 4700 disclosed no instances of noncompliance or other matters that are required to be reported herein under government auditing standards and OMB Bulletin 17-03.

Management's Response

There were no findings or recommendations specific to the closing package reclassified balance sheet included herein, therefore, no corrective actions are necessary. USDA's response to the findings identified in our audit of the general-purpose balance sheet is presented within our report thereon, dated November 14, 2017.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication provided in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of USDA's internal control or on compliance. This communication is an integral part of an audit performed in accordance with auditing standards generally accepted in the U.S. in considering internal control and compliance with provisions of laws, regulations, contracts, and grant

agreements noncompliance with which could have a material effect on the closing package reclassified balance sheet. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gil H. Harden".

Gil H. Harden
Assistant Inspector General for Audit

Washington, D.C.
November 14, 2017

Exhibit A: Additional Note Number 1 – Closing Package Financial Statement Requirements

The Budget and Accounting Procedures Act of 1950 allows the Secretary of the Treasury to stipulate the format and requirements of executive agencies to furnish financial and operational information to the President and the Congress to comply with the Government Management Reform Act of 1994 (GMRA) (Public Law 103-356), which requires the Secretary of the Treasury to prepare and submit annual audited financial statements of the executive branch. The Secretary of the Treasury developed guidance in Treasury’s TFM Volume I, Part 2, Chapter 4700 to provide agencies with instructions to meet the requirements of GMRA. The TFM Chapter 4700 requires agencies to:

1. Submit a GTAS Adjusted Trial Balance which will be used to populate a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and Reclassified Statement of Changes in Net Position.
2. List closing package financial statement line item amounts identified as Federal by trading partner and amount.
3. Report notes information that is based on the Reclassified Balance Sheet line items and other notes information required to meet FASAB standards.
4. Report other data information that is not based on the Reclassified Balance Sheet line items and other data noted information required to meet FASAB standards.
5. Report the information in the FR Notes Report and Other Data Report entitled “2016-September,” “Prior Year,” “PY,” “Previously Reported,” “Line Item Changes,” and “Threshold,” [and the information as of and for the year-ended September 30, 2016 included in the “Text Data” of the FR Notes Reports and “Other Text Data” of the Other Data Reports] and the information in Additional Note No. 1 related to the prior year balances, for purposes of additional analysis in accordance with TFM Chapter 4700. Such information are not a required part of the closing package financial statements.

Abbreviations

FASAB	Federal Accounting Standards Advisory Board
FR.....	Financial Report
GAO	Government Accountability Office
GMRA.....	Government Management Reform Act of 1994 (Public Law 103-356)
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
OMB	Office of Management and Budget
TFM	Treasury Financial Manual
Treasury	U.S. Department of the Treasury
U.S.	United States of America
USDA.....	U.S. Department of Agriculture

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