



May 2019

FINANCIAL AUDIT

Bureau of the Fiscal Service's Fiscal Year 2018 Schedules of the General Fund

Accessible Version

GAO Highlights

Highlights of [GAO-19-185](#), a report to the Fiscal Assistant Secretary, Department of the Treasury

Why GAO Did This Study

GAO audits the consolidated financial statements of the U.S. government. Because of the significance of the General Fund of the United States (General Fund) to the government-wide financial statements, GAO audited the fiscal year 2018 Schedules of the General Fund, which are managed by Fiscal Service, to determine whether, in all material respects, (1) the schedules are fairly presented and (2) Fiscal Service management maintained effective internal control over financial reporting relevant to the Schedules of the General Fund. Further, GAO tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements related to the Schedules of the General Fund.

The General Fund is the reporting entity responsible for accounting for the cash activity of the U.S. government. In fiscal year 2018, the General Fund reported \$14.2 trillion of cash inflows, including debt issuances and taxes collected, and \$14.0 trillion of cash outflows, including debt repayments and Social Security and health care benefit payments. It also reported \$21.6 trillion of federal debt securities held and managed by the Department of the Treasury as of September 30, 2018.

What GAO Recommends

GAO is making 12 recommendations to improve Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund.

In commenting on a draft of this report, Fiscal Service concurred with the results of GAO's audit.

View [GAO-19-185](#). For more information, contact J. Lawrence Malenich at (202) 512-3406 or malenichj@gao.gov.

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Bureau of the Fiscal Service's Fiscal Year 2018 Schedules of the General Fund

What GAO Found

Certain significant deficiencies in internal control over financial reporting and other limitations on the scope of GAO's work resulted in conditions that prevented GAO from expressing an opinion on the Schedules of the General Fund as of and for the fiscal year ended September 30, 2018. Such scope limitations also prevented GAO from obtaining sufficient appropriate audit evidence to provide a basis for an opinion on the effectiveness of the Bureau of the Fiscal Service's (Fiscal Service) internal control over financial reporting relevant to the Schedules of the General Fund as of September 30, 2018. In addition, such scope limitations limited tests of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2018.

Fiscal Service was unable to timely provide sufficient appropriate evidence to support certain information reported in the accompanying Schedules of the General Fund. The underlying scope limitations are the basis for GAO's disclaimer of opinion on the Schedules of the General Fund. These limitations primarily related to (1) the inability to readily identify and trace General Fund transactions to determine whether they were complete and properly recorded in the correct general ledger accounts and line items within the Schedules of the General Fund, (2) inadequate Fiscal Service procedures to determine the effect of differences between General Fund's records and the amounts reported by certain federal agencies on the Schedules of the General Fund, and (3) Fiscal Service's inability to timely provide sufficient appropriate audit evidence to support the beginning balance of the Liability for Fund Balance with Treasury. GAO also identified two significant deficiencies contributing to the first two scope limitations discussed above. As a result of these limitations, readers are cautioned that amounts reported in the Schedules of the General Fund and related notes may not be reliable.

Further, GAO identified two additional significant deficiencies in Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund related to deficiencies in (1) information systems controls and (2) Fiscal Service's risk assessment and monitoring controls. In addition, GAO identified three other control deficiencies, which it does not consider to be material weaknesses or significant deficiencies.

GAO recognizes that the fiscal year 2018 Schedules of the General Fund reflect the significant efforts of Fiscal Service over the past several years to develop the infrastructure to support the Schedules of the General Fund. Fiscal Service's actions have substantially improved its ability to report on the General Fund, including the government-wide cash inflows and outflows.

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Abbreviations

BETC	Business Event Type Code
CARS	Central Accounting and Reporting System
CFS	consolidated financial statements
DVS	Direct Voucher System
FBWT	Fund Balance with Treasury
Fiscal Service	Bureau of the Fiscal Service
FMFIA	Federal Managers' Financial Integrity Act
General Fund	General Fund of the United States
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
IRS	Internal Revenue Service
ITS.gov	International Treasury Services
LFBWT	Liability for Fund Balance with Treasury
OMB	Office of Management and Budget
PAM	Payment Automation Manager
RTN	Routing Transit Number
SDAS	Summary Debt Accounting System
SFD	Schedule of Federal Debt
TAS	Treasury Account Symbol
Treasury	Department of the Treasury

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May 15, 2019

Mr. David Lebryk
Fiscal Assistant Secretary
Department of the Treasury

Dear Mr. Lebryk:

The accompanying independent auditor's report presents the results of our audit of the fiscal year 2018 Schedules of the General Fund (Schedules of the General Fund) managed by the Bureau of the Fiscal Service (Fiscal Service). This is the first year an audit was performed on the Schedules of the General Fund. In summary, we found the following:

- Certain significant deficiencies in internal control over financial reporting and other limitations on the scope of our work resulted in conditions that prevented us from expressing an opinion on the Schedules of the General Fund as of and for the fiscal year ended September 30, 2018.¹
- Such scope limitations prevented us from obtaining sufficient appropriate audit evidence to provide a basis for an opinion on the effectiveness of the Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund as of September 30, 2018.
- Such scope limitations limited tests of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2018.

The General Fund of the United States (General Fund) is the entity responsible for reporting on the central activities fundamental to funding the federal government. The General Fund consists of assets and

¹A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 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.

liabilities used to finance the daily and long-term operations of the U.S. government. The fiscal year 2018 Schedules of the General Fund reflect the significant efforts of Fiscal Service over the past several years to develop the infrastructure to support the Schedules of the General Fund. These efforts, including actions taken during fiscal year 2018, are discussed below.

More specifically, the General Fund is the reporting entity responsible for accounting for the cash activity of the U.S. government. In fiscal year 2018, the General Fund, whose management has been delegated to the Department of the Treasury's (Treasury) Fiscal Service, reported \$14.2 trillion of cash inflows, including debt issuances and taxes collected, and \$14.0 trillion of cash outflows, including debt repayments and Social Security and health care benefit payments. It also reported \$21.6 trillion of federal debt securities held and managed by the Treasury as of September 30, 2018, consisting of federal debt securities held by the public and federal debt securities held by the government accounts. Further, the General Fund accounts for the annual budget deficit (budgets receipts less budget outlays). Finally, the General Fund interacts with other federal agencies through its reporting of assets and liabilities due from and to other federal agencies.²

Fiscal Service was delegated responsibility by Treasury for preparing the *Financial Report of the United States Government*, also known as the consolidated financial statements (CFS) of the United States. Fiscal Service anticipates that the preparation and audit of the General Fund's Schedule of the Operations of the General Fund will enable it to fully account for and eliminate General Fund intragovernmental activity and balances with other reporting entities in the CFS. In connection with our fiscal year 2018 audit of the government-wide CFS,³ we reported that the federal government's inability to adequately account for intragovernmental activity and balances between federal entities, including material unreconciled differences related to transactions between the General Fund and federal agencies, represented a material weakness in internal control over financial reporting.

²In the context of the General Fund, federal agencies are defined as federal reporting entities that receive authority to incur obligations and make payments from the General Fund.

³GAO, *Financial Audit: Fiscal Years 2018 and 2017 Consolidated Financial Statements of the U.S. Government*, [GAO-19-294R](#) (Washington, D.C.: Mar. 28, 2019).

Also, Fiscal Service anticipates that preparation and audit of the General Fund's Schedule of Changes in Cash Balance from Budget and Other Activities will significantly contribute to resolving a separate material weakness we reported in connection with our fiscal year 2018 CFS audit related to Reconciliations of Net Operating Cost and Budget Deficit and Changes in Cash Balance from Budget and Other Activities (Reconciliation Statements). Specifically, Fiscal Service expects these efforts to help reasonably assure that the information in these statements is complete and consistent with the underlying information in the audited agencies' financial statements and other financial data.

The fiscal year 2018 Schedules of the General Fund consist of two schedules—the Schedule of the Operations of the General Fund and the Schedule of Changes in Cash Balance from Budget and Other Activities.

Schedule of the Operations of the General Fund

The Schedule of the Operations of the General Fund presents the cash balance and cash activity for the year, General Fund assets and liabilities that are held and managed by the Treasury, other intragovernmental assets and liabilities, and net equity of the General Fund. The Cash held by Treasury section of this schedule reflects the cash activity of the U.S. government as well as its fiscal year-end cash balance. The largest inflows of cash are collections from debt issuances and taxes, while the largest outflows are debt repayments and Social Security and health care benefit payments. For fiscal year 2018, the Schedule of the Operations of the General Fund reported \$14.2 trillion of cash inflows and \$14.0 trillion of cash outflows. These amounts include cash activity related to debt issuances and repayments and tax collections that GAO audited as part of the fiscal year 2018 Schedules of Federal Debt and the Internal Revenue Service's fiscal year 2018 financial statements audits. Specifically, for fiscal year 2018, the Schedules of Federal Debt reported borrowings from the public totaling \$10.1 trillion and repayments of debt held by the public totaling \$9.0 trillion.⁴ Tax collections by the Internal Revenue Service in fiscal year 2018 totaled \$3.5 trillion.⁵ In addition to the

⁴See GAO, *Financial Audit: Bureau of the Fiscal Service's Years 2018 and 2017 Schedules of Federal Debt*, [GAO-19-113](#) (Washington, D.C.: Nov. 8, 2018), for GAO's audit of and more information about the schedules of federal debt.

⁵See GAO, *Financial Audit: IRS's Fiscal Years 2018 and 2017 Financial Statements*, [GAO-19-150](#) (Washington, D.C.: Nov. 9, 2018), for more information on tax collections and GAO's audit of the Internal Revenue Service's financial statements.

cash activity, the Schedules of the General Fund include other significant line items, which are discussed below.

Intragovernmental assets and liabilities are General Fund assets and liabilities that are held and managed by Treasury and other amounts owed by agencies to the General Fund and amounts owed by the General Fund to agencies, respectively. The General Fund's largest asset is its loans and interest receivable held and managed by Treasury that is related to the Federal Borrowings Program (\$1.5 trillion as of September 30, 2018), which facilitates loans to federal agencies that have the legal authority to borrow funds from the U.S. Treasury. Its largest liability is the outstanding federal debt and interest payable that is held and managed by Treasury (\$21.6 trillion as of September 30, 2018). The General Fund's net equity consists of the cumulative results of General Fund's fiscal year 2018 operations and the balance of outstanding appropriations owed to federal agencies.

Schedule of Changes in Cash Balance from Budget and Other Activities

The Schedule of Changes in Cash Balance from Budget and Other Activities reports how the annual budget deficit relates to the change in the cash held by Treasury. This schedule illustrates the government's cash flows relative to the budget deficit and provides the adjustments that are needed to reconcile the budget deficit for fiscal year 2018 (\$779.0 billion) to the change in the Cash Held by Treasury for Governmentwide Operations line item reported on the Schedule of the Operations of the General Fund (\$225.1 billion), including information on the federal government's investing and financing activities. This schedule presents three categories of reconciling items: (1) adjustments for noncash outlays included in the budget, (2) cash flow from activities not included in the budget, and (3) other General Fund activity. For fiscal year 2018, interest accrued on federal debt securities during fiscal year 2018 resulted in the largest adjustment for noncash activity to the budget deficit (\$268.5 billion), while the net cash flow from financing federal debt securities resulted in the largest adjustment for cash activity not included in the budget (\$1.0 trillion).

Significant Efforts to Develop the Schedules of the General Fund

The fiscal year 2018 Schedules of the General Fund reflect the significant efforts of Fiscal Service over the past several years to develop the infrastructure to support the Schedules of the General Fund. In addition to

developing an accounting model and reporting format for the General Fund, Fiscal Service created a method for federal agencies to identify and report their activity with the General Fund that would facilitate agency reconciliation of intragovernmental activity with the General Fund. Fiscal Service subsequently established extensive guidance in the *Treasury Financial Manual* for federal agencies on how to classify and record activity with the General Fund in order to facilitate the elimination of activity between federal agencies and thereby reduce intragovernmental differences.

Additionally, Fiscal Service added the General Fund to its process for quantifying intragovernmental differences reported between federal agencies. Further, Fiscal Service developed and documented its rationale and sources for the reconciling items currently presented on the Schedule of Changes in Cash Balance from Budget and Other Activities. In fiscal year 2015, Treasury consolidated the balances and activities reported by the General Fund, as a separate federal reporting entity, in the CFS.

Prior to the audit of the fiscal year 2018 Schedules of the General Fund, Fiscal Service focused its efforts on refining the processes and controls related to their preparation, including enhancing standard operating procedures for General Fund accounting and reporting processes and establishing reconciliations to verify intragovernmental balances with Treasury. Fiscal Service's actions taken during fiscal year 2018 will help improve the General Fund's audit readiness in future years. For example, Fiscal Service began reconciling the Payment Information Repository and Collections Information Repository—two key systems that feed cash activity information into the Central Accounting and Reporting System (CARS)—with the General Fund general ledger in 2018. These reconciliations improved Fiscal Service's ability to verify the completeness of cash inflows and outflows in the General Fund general ledger.

In addition, Fiscal Service has also worked extensively to facilitate and encourage more federal agencies to provide their detailed cash inflow and outflow classification information each day using CARS. As the Schedules of the General Fund rely significantly on data transferred from CARS, Fiscal Service's actions have substantially improved its ability to report on the General Fund, including the government-wide cash inflows and outflows.

We are making 12 recommendations to improve Fiscal Service's internal control over financial reporting related to the Schedules of the General Fund. In addition, we are issuing a separate LIMITED OFFICIAL USE ONLY report that includes recommendations to address deficiencies in information systems controls.

This report contains recommendations to the Commissioner of the Bureau of the Fiscal Service. The head of a federal agency is required by 31 U.S.C. § 720 to submit a written statement on actions taken or planned on our recommendations to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Reform, the congressional committees with jurisdiction over the agency programs and activities that are the subject of our recommendations, and GAO not later than 180 days after the date of this report. A written statement must also be sent to the Senate and House Committees on Appropriations with the agency's first request for appropriations made more than 180 days after the date of this report. Please provide me with your statement of actions.

We are sending copies of this report to interested congressional committees, the Commissioner of the Bureau of the Fiscal Service, the Inspector General of the Department of the Treasury, the Director of the Office of Management and Budget, and other interested parties. In addition, this report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-3406 or malenichj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

Sincerely yours,



J. Lawrence Malenich
Managing Director
Financial Management and Assurance



Independent Auditor's Report

To the Commissioner of the Bureau of the Fiscal Service

In our audit of the fiscal year 2018 Schedules of the General Fund (Schedules of the General Fund) managed by the Bureau of the Fiscal Service (Fiscal Service), we found the following:

- Certain significant deficiencies in internal control over financial reporting and other limitations on the scope of our work resulted in conditions that prevented us from expressing an opinion on the Schedules of the General Fund as of and for the fiscal year ended September 30, 2018.¹
- Such scope limitations prevented us from obtaining sufficient appropriate audit evidence to provide a basis for an opinion on the effectiveness of Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund as of September 30, 2018.
- Such scope limitations limited tests of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2018.

The following sections of this audit report discuss in more detail (1) our report on the Schedules of the General Fund, which includes an emphasis of matter paragraph on federal agencies' classification of transactions; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments.

¹A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 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.

Report on the Schedules of the General Fund

In connection with fulfilling our requirement to audit the consolidated financial statements of the U.S. government,² we conducted an audit of the Schedules of the General Fund as of, and for the year ended, September 30, 2018, because of the significance of the General Fund of the United States (General Fund) to the federal government's consolidated financial statements.³ The Schedules of the General Fund present (1) assets and liabilities of the General Fund, including cash activity; (2) a reconciliation of the budget deficit to the change in Cash Held by Treasury for Government Operations; and (3) accompanying notes.

We conducted our audit in accordance with U.S. generally accepted government auditing standards. We performed sufficient audit work to provide this report on the Schedules of the General Fund. We considered the limitations on the scope of our work regarding the Schedules of the General Fund in forming our conclusions.

Management's Responsibility

Fiscal Service management is responsible for (1) the preparation and fair presentation of the Schedules of the General Fund in accordance with U.S. generally accepted accounting principles and (2) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules of the General Fund that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedules of the General Fund based on conducting the audit in accordance with U.S. generally accepted government auditing standards. Because of the matters discussed in the Basis for Disclaimer Opinion on the Schedules

²Government Management Reform Act of 1994, Pub. L. No. 103-356, § 405(c), 108 Stat. 3410, 3416-17 (Oct. 13, 1994), *codified at* 31 U.S.C. § 331(e)(2).

³GAO, *Financial Audit: Fiscal Years 2018 and 2017 Consolidated Financial Statements of the U.S. Government*, [GAO-19-294R](#) (Washington, D.C.: Mar. 28, 2019).

of the General Fund below, we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the Schedules of the General Fund.

Basis for Disclaimer of Opinion on the Schedules of the General Fund

Fiscal Service was unable to timely provide sufficient appropriate evidence to support certain material information reported in the accompanying Schedules of the General Fund. The underlying scope limitations are the basis for our disclaimer of opinion on the Schedules of the General Fund. As a result of these limitations, readers are cautioned that amounts reported in the Schedules of the General Fund and related notes may not be reliable. These scope limitations primarily relate to the following.

Identifying and tracing transactions in the Schedules of the General Fund general ledgers: We were unable to readily identify and trace General Fund transactions to determine whether they were complete and properly recorded in the correct general ledger accounts and line items within the Schedules of the General Fund, respectively. These transactions affect several material line items on the Schedules of the General Fund, including cash inflows, cash outflows, and the budget deficit. As a result, we were unable to complete audit procedures designed to substantiate the activity reported in the affected line items on the Schedules of the General Fund.

Evaluating and resolving differences reported on the Schedules of the General Fund: We found that Fiscal Service does not have a mechanism to determine the effect of certain differences on the Schedules of the General Fund. Differences arise when Fiscal Service reconciles the amounts in the General Fund's records with the amounts reported by certain federal agencies. Such differences, referred to as a Statement of Difference, totaled a net amount of \$857 million as of September 30, 2018, and are included in the Liability for Fund Balance with Treasury (LFBWT) and separately disclosed in Note 9 of the Schedules of the General Fund. Without knowing how these differences affect the different line items on the Schedules of the General Fund, there is an increased risk of misstatements.

Supporting the liability for Fund Balance with Treasury beginning balance: Fiscal Service was unable to timely provide sufficient

appropriate audit evidence to support the beginning balance of the General Fund's LFBWT for fiscal year 2018. The balance for LFBWT was \$2.0 trillion as of October 1, 2017, and represents the cumulative amount of a significant volume of activity that occurred over the past several decades. We requested documentation from Fiscal Service to substantiate a statistically representative sample of the activity included in this balance. Fiscal Service was able to provide some but not all of the requested documentation in time for us to complete the fiscal year 2018 audit. As such, we were unable to complete our audit procedures designed to substantiate the beginning balance of LFBWT.

We also identified two significant deficiencies contributing to the first two scope limitations discussed above—identifying and tracing transactions in the Schedules of the General Fund general ledgers and evaluating and resolving differences reported on the Schedules of the General Fund. These significant deficiencies are discussed in more detail in appendix I.

Disclaimer of Opinion on the Schedules of the General Fund

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the Schedules of the General Fund above, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Schedules of the General Fund. Accordingly, we do not express an opinion on the Schedules of the General Fund. Also, because of the limitations on the scope of our work discussed above, additional issues may exist that were not identified and could affect the Schedules of the General Fund.

Emphasis of Matter

The following key item deserves emphasis in order to put the information contained in the Schedules of the General Fund into context. However, our disclaimer of opinion noted above is not modified with respect to this matter.

Classification of Transactions by Federal Agencies

As described in Note 1 of the Schedules of General Fund, federal agencies and financial institutions initiate cash activity transactions outside of the General Fund's reporting entity structure. Fiscal Service implemented the Central Accounting and Reporting System (CARS) to

capture the relevant data for these transactions. The federal agencies assign certain classifications in CARS for the transactions. This information determines how the activity is reported on the Schedules of the General Fund based on mapping rules Fiscal Service designed to generate journal entries that are posted to the General Fund general ledger. Fiscal Service provides guidance to federal agencies in the *Treasury Financial Manual* regarding the appropriate classifications to be used for different types of business transactions. Federal agencies are responsible for classifying transactions appropriately; as such, federal agencies maintain all of the detailed information supporting the transactions and are responsible for the related internal controls.

Report on Internal Control over Financial Reporting

We were engaged to audit Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund based on the criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA).⁴

Management's Responsibility

Fiscal Service management is responsible for (1) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and (2) evaluating the effectiveness of internal control over financial reporting, based on criteria established under FMFIA.

Auditor's Responsibility

Our responsibility is to express an opinion on Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund based on conducting the audit in accordance with U.S. generally

⁴31 U.S.C. § 3512 (c), (d) (commonly referred to as FMFIA). This act requires executive agency heads to evaluate and report annually to the President and Congress on the adequacy of their internal control and accounting systems and on actions to correct significant problems.

accepted government auditing standards. Because of the matter described in the Basis for Disclaimer of Opinion on Internal Control over Financial Reporting below, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Based on the effects of the scope limitations discussed in our Report on the Schedules of the General Fund above, our internal control work would not necessarily identify all deficiencies in internal control, including those that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or additional significant deficiencies may exist that were not identified.

Definition and Inherent Limitations of Internal Control over Financial Reporting

Internal control over financial reporting relevant to the Schedules of the General Fund is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of the Schedules of the General Fund in accordance with U.S. generally accepted accounting principles, and (2) transactions are executed in accordance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the Schedules of the General Fund. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Basis for Disclaimer of Opinion on Internal Control over Financial Reporting

The scope limitations described in the Report on the Schedules of the General Fund above prevented us from obtaining sufficient appropriate audit evidence about whether a material weakness exists.

Disclaimer of Opinion on Internal Control over Financial Reporting

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on Internal Control over Financial Reporting above, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an opinion on internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fiscal Service's internal control over financial reporting relevant to the Schedules of the General Fund.

In addition to the two significant deficiencies that contributed to our disclaimer of opinion on the Schedules of the General Fund, we found two other significant deficiencies in internal control related to

- information systems controls and
- management's risk assessment and monitoring of internal control over financial reporting.

We discuss these significant deficiencies, and three additional control deficiencies that we do not consider to be significant deficiencies or material weaknesses, in more detail in appendix I.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

Management's Responsibility

Fiscal Service management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to Fiscal Service as it relates to the Schedules of the General Fund.

Auditor's Responsibility

An audit of federal financial statements includes testing compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to Fiscal Service that have a direct effect on the determination of material amounts and disclosures in the Schedules of the General Fund and performing certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements. Because of the limitations discussed below and the scope of our procedures, noncompliance may occur and not be detected by these tests.

Our objective was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion. Our work was performed in accordance with U.S. generally accepted government auditing standards.

Results of Our Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our work to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements was limited by the scope limitations described in the Report on the Schedules of the General Fund. U.S. generally accepted government auditing standards and Office of Management and Budget guidance require auditors to report on entities' compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, Fiscal Service concurred with the results of our audit and stated that it looks forward to the opportunity to implement the corrective actions needed to overcome the barriers to auditability of the Schedules of the General Fund. Additionally, Fiscal Service stated that it maintains controls to confirm the integrity of the government's cash flow. The complete text of Fiscal Service's response is reproduced in appendix II.



Beryl H. Davis
Director
Financial Management and Assurance

April 15, 2019

Schedules of the General Fund of the United States

Schedules of the General Fund of the United States

**Schedule of the Operations of the General Fund
For the Year Ended September 30, 2018**

(In millions of dollars)

	2018
Assets of the General Fund	
Cash Held by Treasury for Governmentwide Operations (Note 3)	
Beginning Balance	\$ 153,627.0
Federal Program Agency	
Cash In	14,229,328.0
Cash Out	(14,004,237.7)
Net Activity	225,090.3
Ending Cash Balances	378,717.3
Assets for Agency's Custodial and Non-Entity Transactions	
Due from Treasury (Note 4)	
Loans & Interest Receivable	1,514,643.4
Government Sponsored Enterprises	113,150.0
Unemployment Trust Fund	2.7
Gold without Certificates and Silver Held by the Mint	25.0
Taxes Receivable	58,000.0
Federal Supplemental Medical Insurance Trust Fund	5,024.3
Accrual Amounts	3,352.4
Total Due from Treasury	1,694,197.8
Due from Agencies	
General Fund Receipt Accounts (Note 5)	
Balance	15,664,075.4
Balance Remitted to the General Fund	(15,664,075.4)
Accrual Amounts	50,976.5
Other Debt (Note 6)	6,380.1
Total Due from Agencies	57,356.6
Total Assets for Agency's Custodial and Non-Entity Transactions	1,751,554.4
Other Assets (Note 7)	1,471.7
Total Assets of the General Fund	\$ 2,131,743.4
Liabilities of the General Fund	
Liabilities without Related Budgetary Obligations	
Due to Treasury - Federal Debt & Accrued Interest Payable (Note 8)	21,643,639.4
Due to Treasury - Refunds Payable	2,974.0
Total Liabilities without Related Budgetary Obligations	21,646,613.4
Liability for Fund Balance with Treasury (Note 9)	
Beginning Balance	2,024,687.9
Activity	
Federal Program Agency	243,825.3
Non-Federal Funds (Note 10)	1,881.3
Total Activity	245,706.6
Ending Liability for Fund Balance with Treasury	2,270,394.5
Other Liabilities	478.1
Total Liabilities of the General Fund	23,917,486.0
Net Equity (Note 2)	(21,785,742.6)
Total Liabilities and Net Equity	\$ 2,131,743.4

Schedules of the General Fund of the United States

United States Government
 Schedule of Changes in Cash Balance from Budget and Other Activities
 for the Year Ended September 30, 2018

(In millions of dollars)	2018
Cash flow from budget activities	
Total budget receipts.....	3,328,745.2
Total budget outlays.....	<u>(4,107,741.5)</u>
<i>Budget deficit.....</i>	<i>(778,996.3)</i>
Adjustments for non-cash outlays included in the budget	
Non-cash flow amounts in the budget related to federal debt securities	
Accrued interest.....	268,485.7
Net amortization.....	41,888.8
Other.....	<u>1,153.1</u>
<i>Subtotal - adjustments for non-cash flow amounts in the budget related to federal debt securities.....</i>	<i>311,527.6</i>
Non-cash flow amounts in the budget related to guaranteed and direct loan financing activity	
Interest revenue on uninvested funds.....	7,894.4
Interest expense on agency borrowings.....	(42,070.5)
Agencies' downward reestimates/negative subsidy payments.....	(37,316.9)
Agencies' subsidy expense/upward reestimates.....	<u>35,804.5</u>
<i>Subtotal - adjustments for Non-cash flow amounts in the budget related to guaranteed and direct loan financing activity.....</i>	<i>(35,688.5)</i>
<i>Total of Adjustments for non-cash outlays included in the budget.....</i>	<i>275,839.1</i>
Cash flow from activities not included in the budget	
Cash flow from non-budget activities related to federal debt securities	
Interest Paid.....	<u>(260,446.8)</u>
<i>Subtotal - cash flow from non-budget activities related to federal debt securities.....</i>	<i>(260,446.8)</i>
Cash flow from non-budget activities related to guaranteed and direct loan financing activity	
Loan Disbursements/Default Payments.....	(194,870.4)
Fees.....	24,987.5
Principal & Interest Repayments.....	117,659.5
Other Collections on defaulted loans receivable and sale of foreclosed property.....	5,680.0
Miscellaneous Asset/Liability Activity not impacting Loan Receivables or Loan Guarantee Liability.....	<u>588.8</u>
<i>Subtotal - cash flow from non-budget activities related to guaranteed and direct loan financing activity.....</i>	<i>(45,954.6)</i>
Cash flow from financing federal debt securities	
Borrowings.....	10,080,073.5
Repayments.....	(8,993,500.7)
Discount/Premium.....	<u>(54,698.9)</u>
<i>Subtotal - cash flow from financing federal debt securities.....</i>	<i>1,031,873.9</i>
<i>Total cash Flow from activities not included in the budget.....</i>	<i>725,472.5</i>
Other-General Fund Activity	
Allocations of Special Drawings Rights.....	(637.4)
Miscellaneous Liability Accounts.....	(219.0)
Loans to the International Monetary Fund.....	3,042.4
Other cash and monetary assets.....	384.6
Non-federal securities of the National Railroad Retirement Investment Trust.....	(498.7)
Miscellaneous asset accounts.....	(694.0)
Transactions not applied to current year's surplus or deficit.....	38.9
Deposit fund liability balances.....	(3,826.3)
Intragovernmental Holdings.....	9,254.2
Agency Securities.....	287.8
Other Unassigned Cash.....	(4,513.6)
Prior Year Receipts and Outlays Activity.....	156.1
<i>Total Other.....</i>	<i>2,775.0</i>
Change in Cash Held by Treasury for Governmentwide Operations.....	225,090.3
Beginning Cash Held by Treasury for Governmentwide Operations.....	153,627.0
Ending Cash Held by Treasury for Governmentwide Operations.....	<u>378,717.3</u>

The accompanying note 11 is an integral part of this financial statement.

Notes to the Schedules of the General Fund of the United States

**Notes to the Schedules of the General Fund of
the United States**

*Notes to the Schedules of the General Fund of the United States
For the Year Ended September 30, 2018*

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

31 U.S.C. §302 establishes the Treasury of the U.S. Government, to reside in the Department of the Treasury (Treasury), and 31 U.S.C. §3513 prescribes that the Secretary of the Treasury shall prepare reports that will inform the President, Congress, and the public on the financial operations of the U.S. government. The Secretary may reorganize the accounting functions and procedures and financial reports of the Treasury to develop an effective and coordinated system of accounting and financial reporting in the Treasury. The Schedules of the General Fund of the United States (Schedules) are comprised of two separate financial schedules: the Schedule of the Operations of the General Fund (Operations Schedule) and the Schedule of Changes in Cash Balance from Budget and Other Activities (Cash Schedule). Managed by the Bureau of the Fiscal Service (Fiscal Service), the Schedules have been prepared to report fiscal year 2018 balances and activity associated with operations of the U.S. government.

The presentation of the *Operations Schedule* is similar to a Balance Sheet and was prepared to display the General Fund assets and liabilities used to finance the daily and long-term operations of the U.S. government as a whole. The *Schedule* is therefore divided into two main sections: "Assets of the General Fund" and "Liabilities of the General Fund".

Treasury holds and manages General Fund assets such as cash, loans and interest receivable and investments in the Government Sponsored Enterprises (GSEs) on behalf of the U.S. government. These non-entity assets are reported separately by Treasury on their Consolidated Balance Sheets, with a corresponding amount reported as Due to the General Fund. As a result of this "Due to" and "Due from" relationship between Treasury and the General Fund, the *Operations Schedule* displays Assets Due from Treasury separately and in more detail than the amounts for other federal program agencies (FPAs). The balances are also reconciled to their respective amounts within Note 4 of Treasury's consolidated financial statements titled *Due from the General Fund and Due to the General Fund*. Additionally, the Ending Cash Balances for Cash Held by Treasury for Governmentwide Operations ties to the last line of the *Cash Schedule* titled Ending Cash Held by Treasury for Governmentwide Operations.

The Due from Agencies section includes a balance for General Fund Receipt Account (GFRA) collections. FPAs deposit money for GFRA collections into the Treasury General Account (TGA), which increases Cash Held by Treasury for Governmentwide Operations and Net Equity on the *Operations Schedule*. In addition, the FPAs must record Fund Balance with Treasury (FBWT) and a custodial liability with the General Fund throughout the fiscal year. The Due from Agencies – General Fund Receipt Accounts Balance on the face displays the balance due to the General Fund. At fiscal year-end, the balance is remitted to the General Fund which results in a total due of zero.

The Other Assets line is primarily comprised of Cash and Investments Held Outside of Treasury (CIHO) by the Department of Defense.

Treasury also manages and reports General Fund liabilities, primarily federal debt and accrued interest payable, on their Consolidated Balances Sheets, with a corresponding amount reported as Due from the General Fund. The General Fund "Due to Treasury" balances are on the *Operations Schedule* and broken out between Federal Debt & Accrued Interest Payable and Refunds Payable. The balances are also reconciled to their respective amounts within Note 4 of Treasury's consolidated financial statements titled *Due from the General Fund and Due to the General Fund*.

The General Fund records the issuance and activity associated with appropriation authority legislatively granted to FPAs. These authority balances and activity are reflected in the Liability for Fund Balance with Treasury section of the *Operations Schedule*.

The calculation of Net Equity on the face of the *Operations Schedule* is the difference between assets and liabilities; however, the composition of Net Equity is displayed and explained in Note 2. The final line of the face is Total Liabilities and Net Equity which tie to the Total Assets of the General Fund.

Notes to the Schedules of the General Fund of the United States

The *Cash Schedule* has been prepared to report how the annual budget deficit relates to the change in the government's cash and other monetary assets, as well as debt held by the public. The budget deficit is the result of outlays (expenditures) exceeding receipts (revenue) during a particular fiscal year. The budget is primarily financed through borrowing from the public and other transactions, such as payment of interest on Treasury securities held by public, which require cash disbursements not part of the deficit. Also, the budget deficit includes certain amounts that are recognized, but disbursed in a future period, or adjustments that did not affect the cash balance, see Note 11—Schedule of Changes in Cash Balance from Budget and Other Activities for detailed information.

Moreover, the *Cash Schedule* shows the adjustments for non-cash "outlays" included in the budget, and components affecting cash balance not included in the budget, to explain the change in cash and other monetary assets. Consequently, it explains why the budget deficit normally would not result in an equivalent change in the government's cash and other monetary assets.

A. Reporting Entity

Fiscal Service is responsible for maintaining adequate accounting records and selecting and applying appropriate accounting policies related to the General Fund's operations. The General Fund is the reporting entity responsible for recording and reporting the assets and liabilities related to government operations and carrying out the central accounting function for the federal government. Activities impacting the government's cash balance, including the inflows and outflows of funds; the issuance of appropriations to FPAs; the use of the appropriations by the agencies, offsetting amounts associated with issuance and redemption of federal debt; the issuance of borrowings to FPAs and the public are all included in the *Schedules*. The Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display* and Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity* together specify the types of entities for which there ought to be financial reports ("reporting entities"), defines the composition of each type of reporting entity, identifies financial reports, and suggests the types of information each report would convey. The accounting and reporting for the General Fund is required to complete the government's accounting model and provide validation of the Budget Surplus/Deficit. The General Fund transacts with every FPA that receives appropriation authority and maintains an intragovernmental relationship with these agencies. This relationship begins when Treasury issues appropriation warrants to FPAs and the General Fund establishes a liability for the associated FBWT, see Note 9 – Liability for Fund Balance with Treasury (LFBWT) for detailed information.

As FPAs carry out their respective agency missions, and use appropriated funds to do so, the General Fund's role is to track the outstanding LFBWT and record the inflow of funds via collections made by the FPAs. Conversely, it is the responsibility of the FPAs to properly classify transactions associated with the use of their appropriated funds, as well as the collections made on behalf of the General Fund. FPAs remain accountable for the proper transaction classification, funds control, and compliance with laws and regulations such as the Improper Payments Information Act and the Antideficiency Act.

The statutory authority for the General Fund reporting entity is found in 31 U.S.C. §302 which provides that "[t]he United States Government has a Treasury of the United States." Fiscal Service, a bureau within the Treasury, maintains and operates the General Fund. Fiscal Service is responsible for maintaining adequate accounting records and selecting and applying appropriate accounting policies related to the General Fund's operations.

B. Basis of Accounting

The *Schedules* are the financial reports summarizing the transactions of the General Fund and associated impacts to cash from budget and other activities. Unlike federal agency financial statements, the *Schedules* are a special purpose financial report whose primary purpose is to provide support for the audit of the *Financial Report of the U.S. Government (Financial Report)*.

The *Schedules* were prepared in accordance with U.S. generally accepted accounting principles and from an automated accounting system. Accounting principles generally accepted for Federal entities are the standards prescribed by FASAB, which is the official body for setting accounting standards for the federal government. The

**Notes to the Schedules of the General Fund of
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FASAB issued SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles*, including the Application of Standards Issued by the Financial Accounting Standards Board in July 2009. SSFAS No. 34 identified the sources of accounting principles and the framework for selecting the principles used in the preparation of general purpose financial reports of federal reporting entities that are presented in accordance with federal generally accepted accounting principles.

The General Fund reports on an accrual basis. The intent and design of the *Operations Schedule*, and the inclusion of the *Cash Schedule*, is to provide the reporting necessary to complete the government's accounting model in providing the complete reporting necessary to consolidate the *Financial Report*. As a result, the General Fund reports proprietary activity and balances without a corresponding budgetary impact, as the FPAs are responsible for their use of budget authority and record this usage in their individual agency financial reporting. The activities of the General Fund are primarily intragovernmental in nature and should eliminate when consolidated into the *Financial Report*.

Fiscal Service is responsible for the preparation and fair presentation of the *Schedules* in accordance with U.S. generally accepted accounting principles and maintaining effective internal controls over financial reporting relevant to the *Schedules*. This includes assertions that the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the *Schedules* are free from material misstatement, whether due to fraud or error.

C. Net Equity

Net Equity for the General Fund consists of Cumulative Results of Operations and Appropriations Outstanding. See Note 2—Net Equity for detailed information.

D. Cash Held by Treasury for Governmentwide Operations

Treasury holds and manages non-entity cash due to the General Fund, principally comprised of the operating cash of the U.S. government. Federal Reserve Bank of New York is custodian of the account for operating cash of the U.S. government, known as the TGA or Federal Reserve Account. The TGA is the U.S. government's checking account used for payments and collections. See Note 3—Cash Held by Treasury for Governmentwide Operations for detailed information.

E. Due from Treasury

Treasury holds and manages General Fund assets that constitute resources available to meet the operating needs of the U.S. government. Treasury reports these managed assets separately on their Consolidated Balances Sheets with a corresponding liability titled "Due to the General Fund". The General Fund records an asset within the "Due from Treasury" section of the *Operations Schedule* to reciprocate this liability. These amounts are comprised of Loans and Interest Receivable, Government Sponsored Enterprises, Unemployment Trust Fund, Gold without Certificates and Silver Held by the Mint, Taxes Receivable, and the Federal Supplementary Medical Insurance Trust Fund all of which are reported by the Department of the Treasury and the corresponding offsets are recorded as reciprocals by the General Fund. See Note 4—Due from Treasury for detailed information.

F. Due from Agencies General Fund Receipt Accounts

The Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 4700, Section 4703, defines a GFRA as "a receipt account credited with all funds from collections that are not identified by law for another account for a specific purpose." These include taxes, customs duties, and miscellaneous collections. Even though agencies report activity in GFRA, the accounts are held and managed by the Treasury on behalf of the General Fund.

FPAs deposit money for GFRA collections into the TGA as prescribed in legislation when funds are to be collected on behalf of the General Fund. In these instances, FPAs act as a custodian and have responsibility to ensure proper accounting and reporting for these inflows until they are remitted to the General Fund, which includes the proper classification of the collection activity based on the authorizing legislation. These transactions inflows are accounted for within a centralized accounting system that subsequently interface to the general ledger of the General

**Notes to the Schedules of the General Fund of
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Fund. The impact to the *Operations Schedule* is an increase to Cash Held by Treasury for Governmentwide Operations and Net Equity (Transfer in of Agency Unavailable Custodial and Non-Entity Collections).

The FPAs must record GFRA collections as FBWT and a custodial liability with the General Fund, throughout the fiscal year. The central accounting and reporting system transaction that interfaced also increases LFBWT and Due from Agencies – GFRA Balance on the *Operations Schedule*.

At fiscal year-end, FPAs record the settlement of FBWT and the associated custodial liability with the General Fund. The General Fund reciprocates and records the closing of these accounts through an accounting transaction initiated by the central accounting and reporting system that interfaces to the General Fund general ledger. This creates a decrease to the LFBWT and offsets the Due from Agencies – GFRA Balance with a negative amount for Due from Agencies - Balance Remitted to the General Fund resulting in a total due of zero.

Some non-cash collections recorded in the GFRAs are capital transfers and payments on loans and interest receivable from FPAs who borrowed funds through Treasury's Federal Borrowings Program. These represent increases and decreases of FBWT, not actual cash reflected in Net Activity of Cash Held by Treasury for Governmentwide Operations. See Note 5–Due from Agencies General Fund Receipt Accounts for detailed information.

G. Due from Agencies – Other Debt

This line item balance represents debt and other liabilities without related budgetary obligations owed by FPAs to the General Fund. FPAs record these as a liability in their financial statements and the General Fund reports a corresponding "other asset" to ensure both sides of the intragovernmental transactions are captured and reported for Governmentwide eliminations. See Note 6–Due from Agencies: Other Debt for detailed information.

H. Other Assets

The Other Assets of the General Fund are primarily comprised of CIHO. CIHO are funds under the custodial responsibility of FPAs and/or their employees, officers, or agents that are deposited in non-TGAs or held in an imprest fund, as defined in TFM Volume I, Part 2, Chapter 3400. See Note 7–Other Assets for detailed information.

I. Due to Treasury – Federal Debt & Accrued Interest Payable

The largest General Fund liability is federal debt and accrued interest payable, obligations of the U.S. government. Treasury is responsible for administering the federal debt on behalf of the U.S. government and reports these Department managed liabilities separately on the Consolidated Balance Sheets, with a corresponding amount reported as Due from the General Fund that represents a receivable, or future funds required of the General Fund to repay borrowings from the public and other FPAs. The General Fund records a liability of Due to Treasury – Federal Debt & Accrued Interest Payable on the *Operations Schedule*, which reciprocates Treasury's receivable. See Note 8–Due to Treasury: Federal Debt & Interest Payable for detailed information.

J. Liability for Fund Balance with Treasury

The LFBWT section on the face of the *Operations Schedule* breaks down fiscal year change in activity between FPA and Non-Federal Funds. An agency's FBWT and the General Fund's offsetting LFBWT changes throughout the fiscal year. Increases occur due to appropriations and amounts borrowed from Treasury for example. Decreases occur due to agency disbursements made to pay liabilities or to purchase assets, goods, and services; investments in U.S. securities (securities issued by Treasury or other FPAs); cancellation of expired appropriations; transfers and reimbursements to other entities or the General Fund; sequestration or rescission of appropriations; repayments on borrowings from Treasury and other entities, etc. See Note 9–Liability for Fund Balance with Treasury for detailed information.

**Notes to the Schedules of the General Fund of
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K. Liability for Non-Federal Funds

FASAB's SFFAS No. 31, *Accounting for Fiduciary Activities*, defines fiduciary activity when a Federal entity collects or receives and subsequently manages, protects, accounts for, invests, and/or disposes of cash or other assets in which non-Federal individuals or entities have an ownership interest that the federal government must uphold. The fiduciary relationship must be based on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship. Non-federal parties must have an ownership interest in cash or other assets held by the Federal entity under provision of law, regulation, or other fiduciary arrangement and must have judicial remedies available for any breach of the federal government's fiduciary obligation. See Note 10—Liability for Non-Federal Funds for detailed information.

L. Changes in Cash Balance from Budget and Other Activities

The budget deficit is primarily financed through borrowings from the public. When receipts exceed outlays, the difference is a surplus. The budget treats borrowing and debt repayment as a means of financing, not as receipts and outlays. The budget records outlays for the interest on the public issues of Treasury debt securities as the interest accrues, not when the cash is paid.

Non-cash flow amounts in the budget related to loan financing account activity also reflect intragovernmental transactions such as interest expense paid or interest revenue received from Treasury, agency year-end credit reform subsidy reestimates, and the receipt of subsidy expense from program accounts. Cash flow from non-budget activities related to loan financing account activity includes all cash flows to and from the public, including direct loan disbursements/default payments to lenders, fees collected, principal and interest repayments, collections on defaulted guarantee loans, and sale proceeds of foreclosed property. The budget totals exclude the transactions of the financing accounts because they are not a cost to the government. However, since loan financing accounts record all credit cash flows to and from the public, they affect the means of financing a budget deficit. See Note 11—*Schedules of Changes in Cash Balance from Budget and Other Activities* for detailed information.

M. Disclosure Entity

SFFAS No. 47, *Reporting Entity*, requires agency financial statements to reflect the balances and activities of any reporting entities meeting the "principles for inclusion" outlined in the standard. The principles are: (1) the entity is included in the Budget of the United States; (2) the U.S. government holds "majority ownership interest"; (3) the U.S. government has "control with risk of loss or expectation of benefit"; or (4) if it would be misleading to exclude such entity. Under SFFAS No. 47, the Federal Reserve System (FR System) is a disclosure entity. The FR System includes the Federal Reserve Board of Governors, Federal Reserve Banks, and the Federal Open Market Committee. The FR System is responsible for providing nationwide payments systems, providing certain financial services to federal agencies and fiscal principals, and serving as the U.S. government's bank, among other functions. The FR System serves as a fiscal agent and depository, executing banking and other financial transactions on the behalf of the Fiscal Service. These transactions impact the balances reported in the *Schedules*. Fiscal Service reimburses the FR System for these activities.

**Notes to the Schedules of the General Fund of
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Note 2. Net Equity

As of September 30, 2018, the General Fund's net equity balance consisted of the following:

(In millions of dollars)

<u>Cumulative Results of Operations</u>	<u>2018</u>
Beginning Balance	\$ (4,090,519.0)
Appropriations - Expended	(3,016,901.4)
Transfer in of Agency Unavailable Custodial and Non-Entity Collections	3,739,006.7
Accrual of Agency Amounts to be Collected	8,275.6
Other General Fund Financing Sources	(34,951.3)
Cancellations of Revenue and Other Financing Sources	643.7
Trust Fund Warrants, net	(1,217,219.5)
Net Change	(521,146.2)
Ending Balance	\$ (4,611,665.2)
<u>Appropriations Outstanding</u>	
Beginning Balance	\$ (16,492,052.0)
Warrants Issued	(3,877,627.5)
Adjustments	178,700.6
Used	3,016,901.4
Net Change	(682,025.5)
Ending Balance	(17,174,077.5)
Net Equity	\$ (21,785,742.6)

Cumulative Results of Operations

The beginning balance for cumulative results of operations is the amount of net difference since the inception of the General Fund reporting entity or activities listed.

Expended appropriations are a result of the FPAs use of appropriated amounts during the fiscal year for goods and services received or benefits provided. For example, a FPA makes a payment for office supplies using an appropriated amount. The General Fund asset for Cash Held by Treasury decreases by the payment amount and expended appropriations increase, which reduces net equity in the cumulative results of operations section.

Transfers in of Agency Unavailable Custodial and Non-Entity Collections represent the amount of custodial revenue collected by a FPA on behalf of the General Fund, which increases net equity. Examples include collections for Treasury securities and collections for taxes such as income, excise and social security. FPA accruals for amounts to be collected also result in an increase to the General Fund net equity balance.

Other General Fund Financing Sources represent the reciprocated amounts of accruals and amortization related to federal debt not yet outlaid; as well as, other agency amounts authorized by law for financing by the General Fund. This activity decreases the General Fund's net equity balance.

The Cancellations of Revenue and Other Financing Sources represent the amount of canceled authority derived from revenue and other financing sources returned to the General Fund by a FPA. Examples include spending authority

**Notes to the Schedules of the General Fund of
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from offsetting collections and special or trust fund receipts administratively withdrawn. These increase the General Fund net equity balance.

Trust Fund Warrants (issued net of adjustments) are amounts appropriated to the various available trust fund receipt accounts via a warrant journal voucher. The warrant journal voucher moves the FBWT from the GFRA to the available trust fund receipt account, thus reducing net equity.

Appropriations Outstanding

The beginning balance for appropriations outstanding is the cumulative amount of FPA prior fiscal year outstanding appropriation balances.

FPA outstanding appropriation balances represent a LFBWT for the General Fund and negative net equity. An FPA records the enactment of appropriations in their financial system after receiving warrant(s). The warrant issued increases the General Fund's LFBWT and the balance of Appropriations Outstanding, which reduces net equity. Adjustments to FPAs current, or prior year, unexpended appropriations during the fiscal year can increase or decrease the General Fund LFBWT and net equity. Examples of adjustments include rescissions and cancellations of expired appropriations. As the FPAs use appropriations during the fiscal year for goods and services for example, the General Fund LFBWT decreases and increases net equity due to outstanding appropriation balances is increased.

**Notes to the Schedules of the General Fund of
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Note 3. Cash Held by Treasury for Governmentwide Operations

This balance is principally comprised of the Operating Cash of the U.S. government held in the Federal Reserve Bank of New York's (FRBNY) TGA, net of outstanding checks (until they clear the Federal Reserve System). Also included is a small amount of foreign currency and cash held outside of the TGA maintained by various U.S. disbursing offices.

"Cash In" is largely comprised of federal debt issuances of Treasury securities and accrued interest collected, and tax receipts (e.g. individual income tax, corporate income tax, etc.). Smaller portions include national park entrance fees, passport fees, student loan repayments, customs duties. These transactions vary by FPA and are received through a variety of channels including over-the-counter, mail/lockbox, phone, electronic payments, and payments directly through financial agent channels (commercial depositories).

Social Security benefits and healthcare benefits are among the largest sources of "Cash Out". Other examples include Supplemental Security Income, federal pension benefits, veterans' compensation, pension and education benefits, Railroad Retirement pensions, federal income tax refunds, vendor payments, employee salaries, federal debt repaid to the public, and others.

The *Cash Schedule* reconciles the budget deficit to the Cash Held by Treasury for Governmentwide Operations Ending Cash Balance.

**Notes to the Schedules of the General Fund of
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Note 4. Due from Treasury

Treasury holds and manages General Fund assets that constitute resources available to meet the operating needs of the U.S. government. Treasury reports these managed assets separately on their Consolidated Balances Sheets with a corresponding liability titled "Due to the General Fund". The General Fund records an asset within the "Due from Treasury" section of the *Operations Schedule* to reciprocate this liability. A description of each asset "Due from Treasury" is below.

Loans & Interest Receivable

Treasury's intragovernmental non-entity loans and interest receivable from other FPAs represent the principal and related interest receivable on loans issued through the Fiscal Service. They act as an intermediary issuing these loans because the receiving agencies lend these funds to third parties to carry out various programs of the U.S. government. Because of Treasury's intermediary role they do not record a loan loss allowance related to these non-entity intra-governmental loans. Instead, the ultimate lender, the federal agency that issued the loans to the public, recognizes loan loss allowances and subsidy costs. Treasury does accrue interest revenue on intra-governmental loans when earned. The loans and interest receivable balance due from Treasury includes Intra-Departmental balances (between Treasury reporting entities) which Treasury eliminates for financial statement presentation purposes.

Government Sponsored Enterprises

GSEs are financial service corporations established by the U.S. Congress to support mortgage lending. Treasury holds investments (senior preferred stock and warrants for the purchase of common stock) on behalf of the General Fund in two GSEs, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Unemployment Trust Fund

The General Fund issues advances to the Department of Labor's (DOL) Unemployment Trust Fund for states to pay unemployment benefits. The Fiscal Service accounts for the advances issued on behalf of the General Fund. As outlined in 42 United States Code (USC) 1323, Repayable Advances to Federal Unemployment Account, these advances bear an interest rate that is computed as the average interest rate as of the end of the calendar month preceding the issuance date of the advance for all interest-bearing obligations of the U.S. that form the public debt, to the nearest lower 1/8 of 1.0 percent. Interest on the advances is due on September 30 of each year. DOL repays advances when the Secretary, in consultation with the Secretary of the DOL, determines that the balance in the Unemployment Trust Fund is adequate to allow repayment.

Gold without Certificates and Silver Held by the Mint

The United States Mint, a bureau of the Treasury, holds 100,000 fine troy ounces (FTO) of custodial gold reserves without certificates (100,000 FTO x \$42.2222 statutory carrying value = \$4M) and 16,000,000 FTO of custodial silver (16,000,000 FTO x \$1.2929 statutory carrying value = \$21M).

Taxes Receivable

The Internal Revenue Service (IRS), also a bureau of the Treasury, reports federal taxes receivable consisting of tax assessments, penalties, and interest not paid or abated, and agreed to by either the taxpayer and IRS, or the courts. The receivable is net of an allowance for doubtful accounts, an estimate for uncollectible amounts.

Federal Supplementary Medical Insurance Trust Fund

The General Fund issues advances to the Department of Health and Human Services' (HHS) Federal Supplementary Medical Insurance Trust Fund to temporarily replace the reduction in Medicare Part B participants' premiums. The Fiscal Service accounts for the advances issued on behalf of the General Fund. As outlined in 42 USC 1395,

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Prohibition Against Any Federal Interference, these advances do not bear any interest. HHS repays advances over time from amounts collected from certain participants' increase in premiums until the balance due reaches zero.

Accrual Amounts

Amounts for accrual activity recorded in a GFRA. Cash deposited using a GFRA is captured in the central accounting and reporting system and accounted for by the General Fund; however, accrual activity is submitted to the General Fund via an agency submission form. This process is outlined in the TFM, Vol 1 Part 2 Chapter 4700 Appendix 9 Recording Intragovernmental Transactions (IGT) with the General Fund of the U.S. Government.

**Notes to the Schedules of the General Fund of
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Note 5. Due from Agencies – General Fund Receipt Accounts

As of September 30, 2018, Agencies' GFRA balances consisted of the following:

(In millions of dollars)

<u>General Fund Receipt Accounts by Major Class</u>	<u>2018</u>
Debt Held by the Public Principal	\$ 13,161,215.5
Taxes	2,270,846.7
Receipts from Monetary Power	71,014.9
Interest	45,255.8
Sale of Government Property	37,244.9
Customs Duties	28,960.5
Fines, Penalties, and Forfeitures	14,873.1
Realization upon Loans and Investments	13,012.1
Recoveries and Refunds	8,791.8
Fees and Other Charges for Services and Special Benefits	4,697.8
Royalties	3,493.4
Fees for Regulatory and Judicial Services	3,222.1
Sale of Products	1,172.1
Rent, Including Bonuses	110.3
Negative Subsidies and Downward Re-estimates of Subsidies	72.5
Interest on Advances for Unemployment	51.1
Dividends and Other Earnings	38.1
Gifts and Contributions	2.8
	<hr/>
	15,664,075.4
Balance Remitted to the General Fund	(15,664,075.4)
	<hr/>
Total	\$ -

FPA's are responsible for classifying amounts to the appropriate GFRA, which are not classified as dedicated collections as defined by law for a specific purpose.

The largest component of the GFRA balances is the Debt Held by the Public Principal issued during the fiscal year. This amount represents the current year's collections for securities issued by Fiscal Service which include, but are not limited to, Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Inflation-Protected Securities, United States Savings Bonds, and State and Local Government Series securities less discounts on the original issues. As of September 30, 2018 these collections totaled \$13,161,215.5 million.

In addition, \$2,270,846.7 million of the GFRA's collections were from taxes. These are collections from levies (other than duties on imports) under the taxing and regulatory powers of the Constitution, such as income, excise, and social security taxes.

For more information on specific Financial Reporting Entities (FR Entity) activities, please see each FPA's financial report. For more information on the Debt Held by the Public Principal see the Schedules of Federal Debt (also managed by the Fiscal Service).

**Notes to the Schedules of the General Fund of
the United States**

Note 6. Due from Agencies- Other Debt

Since Other Debt activity is not reported by the agencies through the central accounting and reporting system, the General Fund must rely on trading partner correspondence in order to reciprocate amounts. Balances are adjusted on a quarterly basis.

As of September 30, 2018, ending balances by trading partner for Due from Agencies – Other Debt consisted of the following:

(In millions of dollars)

Federal Program Agency	2018
Department of Energy	\$ 3,766.7
Department of Agriculture	2,610.1
U.S Postal Service	1.8
Consumer Product Safety Commission	1.5
Total	\$ 6,380.1

The largest component of Due from Agencies – Other Debt is Department of Energy (DOE). As of September 30, 2018, DOE's ending Other Debt balance was \$3,766.7 million. This balance is primarily comprised of appropriated capital used to support DOE's power facilities.

DOE has four Power Marketing Administrations (PMAs) that market electricity generated mostly by federal hydropower projects. The PMAs are primarily funded from four sources: contract and borrowing authority, direct collections generated from the sale of power, and annual appropriations from the General Fund. Three of the four PMAs receive annual appropriations from the General Fund for construction, operation, and maintenance of their power facilities. This appropriated capital represents the balance of appropriations provided to the PMAs, which must be repaid to the General Fund. However, there is no specific annual repayment amount required.

**Notes to the Schedules of the General Fund of
the United States**

Note 7. Other Assets

General Fund Other Assets is primarily CIHO.

As of September 30, 2018, Other Assets consisted of the following:

(In millions of dollars)

Other Assets by Federal Program Agencies	2018
Department of Defense	\$ 860.4
U.S. Postal Service	564.9
Department of the Treasury - Bureau of Engraving and Printing	26.9
Judiciary Branch	19.2
Congress	0.3
Total	\$ 1,471.7

As of September 30, 2018, the Department of Defense CIHO balance was \$860.4 million and the U.S. Postal Service balance was \$564.9 million. Bureau of Engraving and Printing had \$26.9 million of total Other Assets due to confirmed and unconfirmed mutilated currency awaiting review and destruction.

**Notes to the Schedules of the General Fund of
the United States**

Note 8. Due to Treasury – Federal Debt & Accrued Interest Payable

The federal debt includes borrowings from the public as well as borrowings from FPAs. Debt held by the public primarily represents the amount the U.S. government has borrowed to finance the cumulative cash deficits. Debt held by other FPAs, primarily trust funds, represents balances of Treasury securities held by individual FPAs with either the authority or the requirement to invest excess receipts in Treasury securities, with the principal and interest guaranteed by the full faith and credit of the U.S. government. Federal Debt held by other FPAs, also known as intragovernmental debt holdings, primarily consists of balances in the Social Security trust funds, Medicare trust funds, Military and Health Care Fund and SCRDF.

Per the Schedules of Federal Debt, federal debt and accrued interest payable (the total of principal, accrued interest payable, and net unamortized premiums and discounts for both Debt Held by the Public and Intragovernmental Debt Holdings) was \$21,643,640 million as of September 30, 2018. Please refer to the Schedules of Federal Debt at <https://www.treasurydirect.gov/govt/reports/pd/feddebt/feddebt.htm> for more information.

**Notes to the Schedules of the General Fund of
the United States**

Note 9. Liability for Fund Balance with Treasury

For FPAs, FBWT is an asset that reflects their available appropriated spending authority and a claim on General Fund assets. The General Fund, as the central reporting entity for the Federal Government, reciprocates this amount as a LFBWT based on central accounting and reporting system transactions that interface to the General Fund general ledger.

An FPA's FBWT and the General Fund's offsetting LFBWT changes throughout the fiscal year. Increases occur due to appropriations and amounts borrowed from Treasury for example. Decreases occur due to agency disbursements made to pay liabilities or to purchase assets, goods, and services; investments in U.S. securities (securities issued by Treasury or other FPAs); cancellation of expired appropriations; transfers and reimbursements to other entities or the General Fund; sequestration or rescission of appropriations; repayments on borrowings from Treasury and other entities, etc.

The LFBWT section on the face of the *Operations Schedule* breaks down fiscal year change in activity between FPA and Non-Federal Funds. The FPA activity is the change in resources available to support operations/programs. LFBWT for Non-Federal Funds is for cash held in the U.S. Treasury and administered by a Federal entity on behalf of fiduciary beneficiaries. The owner of this FBWT is a non-Federal party. See Note 10-Liability for Non-Federal Funds for more information. Per the TFM, FPAs are required to reconcile their FBWT balances (by Treasury Account Fund Symbol) to the central accounting and reporting system on a regular and recurring basis to assure the integrity and accuracy of the *Financial Report* data. When agency balances do not match the balances in the central accounting and reporting system it results in a Statement of Difference (SOD). The last row of the table below shows the total SOD amount for all FPAs as of September 30, 2018.

As of September 30, 2018, activity and balances for LFBWT consisted of the following:

(In millions of dollars)

Federal Program Agency	2018									
	Beginning Balance	Appropriation	Transfers	Borrowings	Trust Funds	Budget Receipts	Budget Net Outlays	Budget Neutral Receipts and Outlays	Prior Period Transactions	Ending Balance
Department of the Treasury	(286,748.4)	2,685,388.5	-	(846.4)	1,220,803.7	(2,043,179.2)	630,904.8	(2,468,637.4)	310.7	(283,202.7)
Defense Agencies	(501,716.5)	(771,967.3)	4.9	(54.9)	(116.0)	(2,359.0)	559,323.3	95,968.4	75.2	(500,239.9)
Department of Health and Human Services	(205,746.7)	(917,115.9)	5.0	391.0	(268,970.2)	(270,677.3)	1,062,791.1	300,993.7	9,490.7	(250,862.6)
Executive Office of the President	(190,077.6)	(16,093.4)	(11.7)	(607.4)	-	-	10,409.0	1,019.9	(8,976.6)	(204,338.8)
Department of Agriculture	(151,571.5)	(136,240.6)	(4.1)	(1,384.6)	(131.4)	(13,376.4)	136,712.1	3,647.7	(1.0)	(152,349.8)
Department of Housing and Urban Development	(80,823.7)	(80,561.3)	-	2,786.1	-	-	54,663.9	(12,179.1)	1.5	(124,132.6)
Department of Education	(110,114.0)	(71,526.7)	-	(79,893.8)	-	(1.4)	63,707.4	63,134.6	-	(114,555.9)
Department of Homeland Security	(71,332.7)	(113,860.4)	9.6	9,898.4	(194.6)	-	34.9	60,231.1	1,975.4	(111)
Department of Veterans Affairs	(52,927.8)	(190,631.3)	-	24.9	-	(0.3)	170,376.7	(740.1)	-	(66,098.5)
Department of the Interior	(54,884.2)	(11,334.2)	(5.9)	(4.3)	65.8	(954.6)	8,616.6	521.2	(13.1)	(58,003.7)
Department of State	(47,976.9)	(27,465.6)	(50.8)	1.1	(50.9)	(678.6)	24,560.2	390.6	0.1	(51,272.8)
Department of Justice	(42,802.5)	(18,781.6)	(6.0)	-	-	(12,729.9)	24,521.2	1,070.9	(485.5)	(33,294.4)
Department of Energy	(33,754.5)	(32,135.4)	(4.6)	314.5	65.5	(13.4)	26,460.7	1,206.4	-	(37,940.8)
Department of Transportation	(29,762.4)	(15,905.3)	(10.7)	(2,411.9)	(58,832.2)	(58,572.3)	77,461.6	51,098.8	-	(36,334.4)
Agency for International Development	(34,225.2)	(13,374.1)	106.1	-	-	-	12,302.8	(253.3)	-	(35,461.7)
Department of Commerce	(25,044.5)	(11,724.7)	(28.6)	(22.2)	-	(577.4)	2,655.6	5,303.6	-	(29,898.2)
National Science Foundation	(13,282.0)	(7,706.4)	-	-	(165.4)	-	7,966.3	(2.0)	-	(13,379.5)
Department of Labor	(12,366.0)	(7,683.7)	0.1	(229.0)	(9,455.5)	(45,763.5)	38,224.5	23,854.6	-	(13,418.5)
General Services Administration	(11,641.9)	(368.9)	0.8	-	-	(0.2)	(599.7)	13.8	-	(12,596.0)
National Aeronautics and Space Administration	(11,526.7)	(20,764.1)	-	-	-	-	15,752.0	(1.6)	-	(12,539.6)
All Others Agencies	(72,744.9)	(71,481.4)	(6.1)	2,242.0	(863,039.8)	(879,896.5)	1,007,315.3	328,981.1	14.7	(69,498.6)
Liability for Fund Balance While Awaiting a Warrant	-	-	-	-	-	-	-	-	-	-
Statement of Difference	(1,554.3)	-	-	-	-	-	-	697.3	-	(857.0)
Total	\$(2,024,687.9)	\$ 48,860.7	\$ (0.0)	\$ (69,636.5)	\$ -	\$(3,328,745.2)	\$ 4,107,741.5	\$(1,004,143.8)	\$ 416.6	\$(2,270,334.5)

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donations for specific purposes). Special funds are established when the law requires the Government to dedicate collections from a specified source to finance a particular program and the law neither authorizes the fund to conduct a cycle of business-type operations (making it a revolving fund) nor designates it as a trust fund.

The Trust Funds column represents the LFBWT fiscal year activity for the FPAs transfers of unavailable receipt accounts and GFRAs to trust fund and special fund expenditure accounts.

Budget Receipts

Budget receipts are collections from the public that result from the Government's exercise of its sovereign power to tax or otherwise compel payment. They consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, regulatory fees, customs duties, court fines, certain license fees, and deposits of earnings by the Federal Reserve System.

There are cash collections not deemed budget receipts and therefore not included in the budget. Fiscal Service establishes deposit fund accounts to record monies that do not belong to the federal government. Monies received by deposit funds are not budget receipts but rather considered a means of financing.

The deposit fund classification is proper for any account that meets one of the following three criteria: Monies withheld from government payments for goods and services received; Monies the government is holding awaiting distribution based on a legal determination or investigation; deposits received from outside sources for which the government is acting solely as a banker, fiscal agent, or custodian.

The Budget Receipts column total ties to the "Total budget receipts" line of the *Cash Schedule*.

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**Notes to the Schedules of the General Fund of
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Budget Net Outlays

Budget Net Outlays are net of offsetting collections and offsetting receipts. Offsetting collections are from Government accounts or the public that are of a business-type or market-oriented nature. When the collections are authorized by law to be credited to federal agency expenditure fund accounts and are generally available for expenditure without further legislation they are deemed Offsetting Collections; otherwise, they are deposited in receipt accounts and called offsetting receipts. An example of a business-type collection from the public is proceeds from the sale of postage stamps.

Budget Net Outlays are generally accounted for based on checks issued, electronic funds transferred, or cash payments made; however, certain outlays do not require issuance of cash or checks. For example, federal debt is the largest legally and contractually binding obligation of the government and accrued interest on federal debt held by the public is a key metric for financial management decisions. Treasury records budget outlays for the interest on the debt held by the public as it accrues, not when it is paid. Treasury also records a non-cash budget outlay for amortized discount and premiums on debt held by the public over the life of the security.

There are also cash payments not included in budget outlays and therefore not included in the budget. The Government does not own deposit fund balances and monies paid by deposit funds are not budget outlays but rather a means of financing.

The Budget Net Outlays column total ties to the "Total budget outlays" line of the *Cash Schedule*.

Budget Neutral Receipts and Outlays

The Budget Neutral Receipts and Outlays column represents borrowings and other transactions involved in financing a deficit; this also includes debt repayment, the change in cash balances, and certain other transactions involved in using a surplus. The largest activity consists of financing, loan transactions and deposit fund.

Accrued interest on federal debt held by the public is recorded as a budget outlay as it accrues, not when it is paid. The cash payment to satisfy the liability for previously accrued interest is not included in the budget. It is reflected in the Budget Neutral Receipts and Outlays column of LFBWT.

From the budgetary perspective, monies received or paid by deposit funds are not Government owned and considered a means of financing. They are not budget receipts or budget outlays and are included in the Budget Neutral Receipts and Outlays column of LFBWT.

Prior Period Transactions

The Prior Period Transactions column captures transactions entered in the current fiscal year, but posted to a prior fiscal year general ledger accounting period. A monthly process identifies these "back-dated" transactions and moves them to the current accounting period for inclusion in current year reporting.

**Notes to the Schedules of the General Fund of
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Note 10. Liability for Non-Federal Funds

The General Fund receives all cash related transactions from the central accounting and reporting system; however, the transaction level detail passed to the General Fund does not include the fiduciary Treasury Account Symbol (TAS) attribute. The General Fund reclassifies the Fiduciary LFBWT from a federal trading partner to a non-federal trading partner on a monthly basis using a fiduciary TAS report from the central accounting and reporting system. At fiscal year end, the amounts for each fiduciary TAS are reviewed to ensure all Fiduciary LFBWT activity was properly reclassified throughout the year.

As of September 30, 2018, Fiduciary LFBWT consisted of the following:

(In millions of dollars)

<u>Federal Program Agency</u>	<u>Net Activity</u>	
	<u>2018</u>	
Federal Retirement Thrift Investment Board	\$	14.3
Bureau of Consumer Financial Protection		4.4
Department of Commerce		(0.3)
Library of Congress		(0.7)
Smithsonian Institution		(3.4)
Department of Transportation		(4.5)
National Labor Relations Board		(4.9)
Department of Labor		(9.4)
Department of State		(16.8)
Department of the Interior		(19.9)
Department of Defense		(25.9)
The Judiciary		(36.0)
National Credit Union Administration		(194.8)
Intelligence Community Oversight		(197.1)
Department of the Treasury		(1,386.3)
Total	\$	(1,881.3)

**Notes to the Schedules of the General Fund of
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Note 11. Schedule of Changes in Cash Balance from Budget and Other Activities

The *Cash Schedule* show the adjustments for non-cash outlays included in the budget, and items affecting the cash balance not included in the budget, to explain the change in cash and other monetary assets. These adjustments are listed below.

Adjustments for Non-Cash Outlays included in the Budget

Non-cash flow amounts in the budget related to federal debt securities

Accrued interest, Net amortization, and Other

Debt is the largest legally and contractually binding obligation of the Government and accrued interest on federal debt securities is a key metric for financial management decisions. The timing for recording outlays for interest payments varies. Treasury records outlays for the interest on the federal debt securities as the interest accrues, not when it disburses cash. Treasury records outlays for the amortization on the federal debt securities as the original issue discount or premium is amortized over the life of the security, not when the security is issued or redeemed. These numbers will not match the Schedules of Federal Debt in its entirety. GAS securities held by the public are recorded in the budget differently than on the Schedules of Federal Debt. The Budget records GAS securities on a cash basis regardless if they are held by federal entities or by the public. Inflation Compensation, Savings Bond Adjustments and Restitution (items reported on the Schedules of Federal Debt) are not reported in the Budget.

Non-cash flow amounts in the budget related to guaranteed and direct loan financing activity

Interest revenue on uninvested funds and Interest expense on agency borrowings

Uninvested funds in the financing account consist of FBWT from borrowings and/or offsetting collections that have not been disbursed. Because agencies earn and pay interest on the fund balance at the same interest rate, there is zero net effect for borrowing early and on an estimated basis. Agencies must not net the interest earned on uninvested funds against interest expense at year-end. Agencies must report the interest revenue and expense separately.

Agencies year-end credit reform subsidy reestimates and Subsidy expense (income)

The Federal Credit Reform Act of 1990 (FCRA) requires agencies to estimate the cost to the government of extending or guaranteeing credit. This cost, referred to as subsidy cost, equals the net present value of estimated cash flows from the government (e.g., loan disbursements and claim payments to lenders) minus estimated cash flows to the government (e.g., loan repayments, interest payments, fees, and recoveries on defaulted loans) over the life of the loan, excluding administrative costs. Discount rates that reflect the federal government's cost of financing are used to determine the net present value of estimated cash flows. Agencies generally update—or reestimate—subsidy costs annually to reflect both actual loan performance and changes in expected future loan performance.

**Notes to the Schedules of the General Fund of
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Cash Flow from Non-Budget Activities

Cash flow from non-budget activities related to federal debt securities

Interest Paid

The timing for recording outlays for interest payments varies. Treasury records outlays for the interest on the federal debt securities as the interest accrues, not when it disburses cash. This line item represents the cash payments made to satisfy the liability for the interest on Treasury securities held by the public that was previously accrued. The ending cash balance has changed because of the interest payment, but the activity is not included in the budget. As a result, the cash payment for the interest paid is part of cash flow from activities not included in the budget.

Cash flow from non-budget activities related to guaranteed and direct loan financing activity

Loan disbursements/default payments, Fees, Principal and Interest Repayments, Other collections on defaulted loans receivable and sale of foreclosed property, & Miscellaneous Asset/Liability Activity not impacting Loan Receivables or Loan Guarantee Liability

Some Government programs provide assistance through direct loans or loan guarantees. A direct loan is a disbursement of funds by the Government to a non-federal borrower under a contract that requires repayment of such funds with or without interest and includes economically equivalent transactions, such as the sale of federal assets on credit terms. A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-federal borrower to a non-federal lender. Under FCRA, the actual cash flows to and from the public associated with direct loans and loan guarantees (e.g., loan disbursements, collection of principal, interest and fees, and default payments on guarantees) are recorded in the credit programs' non-budgetary financing accounts. Credit financing accounts are excluded from the budget because they are not allocations of resources by the Government. However, even though they do not affect the surplus or deficit, they can either increase or decrease the Government's need to borrow.

Cash flow from financing federal debt securities

Borrowings, Repayments, and Discount/Premium

The budget treats borrowings and debt repayments as a means of financing, not as receipts and outlays. This rule applies both to borrowing in the form of federal debt securities and to specialized borrowing in the form of agency securities. The borrowings and debt repayments amounts include an adjustment for the original issue discount and premium. Debt securities may be sold at a discount or premium and this amount is taken into account in the reporting of these amounts since it affects the ending cash balance.

Other

Items such as Allocations of Special Drawings Rights, Miscellaneous Liability Accounts, Loans to the International Monetary Fund, Other Cash and Monetary Assets, Non-Federal Securities of the National Railroad Retirement Investment Trust, Miscellaneous Asset Accounts, Transactions not applied to current year's surplus or deficit, Deposit fund liability balances, Intragovernmental Holdings related to deposit funds and Agency securities are included in the Other Line. These items can also be found in the Monthly Treasury Statement – Table 6. Means of Financing the Deficit or Disposition of Surplus by the U.S. Government because the budget treats borrowings and debt repayments as a means of financing, not as receipts and outlays. Other Unassigned Cash and Prior Year Receipts and Outlays Activities are also included in the Other line.

Appendix I: Internal Control Deficiencies

Significant Deficiencies That Contributed to Our Disclaimer of Opinion on the Schedules of the General Fund

The significant deficiencies discussed below contributed to our disclaimer of opinion on the Schedules of the General Fund.

Identifying and Tracing Transactions in the Schedules of the General Fund General Ledgers

During our audit, we identified a significant deficiency related to identifying and tracing transactions in the Schedules of the General Fund general ledgers. Specifically, this significant deficiency involves activities related to the following three areas: (1) identifying journal entries, (2) tracing payment schedules to payment vouchers, and (3) identifying transactions in certain line items.

Identifying journal entries: The information the Bureau of the Fiscal Service (Fiscal Service) uses to prepare the Schedules of the General Fund is derived from two different general ledgers: the General Fund general ledger populates the Schedule of the Operations of the General Fund and the Central Summary general ledger populates the Schedule of Changes in Cash Balance from Budget and Other Activities. To record transactions in these general ledgers, Fiscal Service designed mapping rules to translate the data in the Central Accounting and Reporting System (CARS) into general ledger journal entries.

Fiscal Service uses a complex automated interface between CARS and the general ledgers to apply these mapping rules and generate the journal entries posted to the general ledgers. The mapping rules may generate a significant number of journal entries, some of which are used for control purposes, for each transaction. Fiscal Service has designed certain controls over the interface process. For example, each month Fiscal Service reconciles the federal agencies' account balances in CARS with the Liability for Fund Balance with Treasury (LFBWT) amount

recorded in the General Fund general ledger to ensure that the amounts agree. While the automated interface records most journal entries in the general ledgers, Fiscal Service records some journal entries manually using available agency information.

Tracing payment schedules to payment vouchers: Fiscal Service processes payments for most federal agencies. Federal agencies compile payment requests into payment schedules and certify these schedules for payment when they submit them to Fiscal Service for processing. To process these payments on behalf of the federal agencies, Fiscal Service employs different systems, such as the Payment Automation Manager (PAM) and the International Treasury Services (ITS.gov).¹

The Federal Reserve Bank processes certain payments using the Direct Voucher System (DVS).² DVS further groups payments into vouchers based on the Routing Transit Number (RTN) and other factors.³ In doing so, DVS may add other payment schedules into the same voucher if they meet specified criteria. As a result, each voucher recorded in the Schedules of the General Fund general ledgers could potentially be composed of several payment schedules. These payment schedules in turn could be made up of thousands of individual payments.

Identifying transactions in certain line items: CARS serves as the electronic system of record for the federal government's financial data, providing streamlined agency reporting and supporting government-wide standardization. The system allows federal agencies that fully implement it to classify payments, collections, and intragovernmental transactions upon initiation, including the assignment of Treasury Account Symbols

¹PAM is a Fiscal Service application developed by the Federal Reserve Bank. It performs validation checks on the certified payment files, screens the payment files for potential improper payments and offsets, and organizes the files into payment groups for downstream processing. ITS.gov is a Fiscal Service web-based application that processes international payments.

²For fiscal year 2018, Fiscal Service had agreements with several Federal Reserve Banks to act as fiscal agents in carrying out different activities related to transactions recorded in the General Fund. For purposes of this report, we collectively refer to them as the Federal Reserve Bank.

³DVS captures payment activity, excluding checks, processed by the Federal Reserve Bank.

(TAS) and Business Event Type Codes (BETC).⁴ Fiscal Service establishes the TAS and BETC attributes and provides federal agencies guidance on how to classify transactions using them. The classification of transactions in CARS determines how they are recorded into both general ledgers and subsequently determines how transactions are reported on the Schedules of the General Fund based on the mapping rules. As previously mentioned, some transactions are not recorded using these mapping rules but are instead recorded by Fiscal Service manually.

Condition. During our audit, we were unable to readily identify and trace General Fund of the United States (General Fund) transactions to determine whether they were complete and properly recorded in the correct general ledger accounts and line items within the schedules. Specifically, as discussed below, we experienced difficulties in (1) identifying the complete set of journal entries for certain transactions, (2) tracing payment schedules to payment vouchers, and (3) identifying the transactions that constitute certain line items.

- **Identifying journal entries:** During our audit, we were unable to readily identify all the journal entries for selected transactions. The mapping rules may create a significant number of journal entries when data are transferred from CARS to the general ledgers via the automated interface. We requested that Fiscal Service identify all the journal entries related to certain transactions we had selected for testing, but this required extensive manual effort on its part. Fiscal Service was able to provide some but not all of the requested documentation in time for us to complete our audit procedures on the fiscal year 2018 audit.
- **Tracing payment schedules to payment vouchers:** During our audit, we found that payment vouchers recorded on the general ledgers, most of which are included in the Cash Out line item of the Schedule of the Operations of the General Fund, could not be readily traced to certain payment schedules that the federal agencies certified. Specifically, Fiscal Service did not have a process in place

⁴A TAS is used to represent the federal agency's individual appropriation, receipt, outlay, and other fund account symbols as assigned by the Department of the Treasury. A BETC is an eight-digit character code that indicates the type of activity reported, such as payments, collections, investments, borrowings, repayments, and so forth. The TAS and BETC information assigned to this activity is used to classify transactions into the various sections of the Schedule of Changes in Cash Balance from Budget and Other Activities. The TAS and BETC information also affect how amounts are reported in the General Fund Receipt Accounts, Liability for Fund Balance with Treasury, and Equity line items on the Schedule of the Operations of the General Fund.

that would allow it to readily provide a direct link between the payment schedule(s) and the payment voucher amounts recorded in the general ledgers. Fiscal Service was able to track and provide us information such as payment schedules and the TAS information for some of the payments using a time-consuming manual process that required extensive research into multiple payment systems. However, Fiscal Service was unable to provide all of the requested documentation in time for us to complete our audit procedures on the fiscal year 2018 audit.

- **Identifying transactions in certain line items:** During our audit, we found that amounts recorded in certain line items were summarized and lacked sufficient details that were needed to trace the amounts to specific transactions. Specifically, Fiscal Service was unable to use data from the Central Summary general ledger to identify transactions reported in certain line items of the Schedule of Changes in Cash Balance from Budget and Other Activities, including the budget deficit. For example, Fiscal Service could not identify the transactions in the Central Summary general ledger supporting certain material line items on the Schedules of Changes in Cash Balance from Budget and Other Activities, such as the components of federal debt activity. In order to determine the amounts reported in these line items, Fiscal Service used sources external to the General Fund, such as the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the Summary Debt Accounting System (SDAS).⁵

In addition, we found manual journal entries Fiscal Service recorded in certain general ledger accounts that we could not trace to other general ledger accounts that should have been affected by the same journal entries. For example, Fiscal Service records a manual journal entry monthly to reflect the effect of certain transactions on net equity. However, the amount recorded for net equity is summarized and cannot be readily tied to specific transactions recorded on other general ledger accounts. While Fiscal Service performs certain reconciliations between the summary amounts recorded on the general ledgers and the different sources of information (e.g., GTAS and SDAS), these reconciliations are at a summary level. As a result, we were unable to determine the accuracy or completeness of the

⁵GTAS and SDAS are systems that Fiscal Service maintains outside of the General Fund that are primarily used for purposes other than supporting the General Fund. Specifically, GTAS contains monthly federal agency submissions of budget execution information and proprietary financial reporting information for each TAS, and SDAS contains data on all outstanding public debt and related interest.

related line item balances. As specifically related to the reconciliation performed for the Schedule of Changes in Cash Balance from Budget and Other Activities, we were unable to determine whether the transactions were properly included or excluded from the budget deficit calculation.

Criteria. Auditing standards state that the auditor's objective is to design and perform audit procedures that enable the auditor to obtain sufficient appropriate audit evidence with which to draw reasonable conclusions on which to base the auditor's opinion. The auditor's report must be modified if the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.⁶

Cause. We were unable to readily identify and trace General Fund transactions for the following reasons:

- **Identifying journal entries:** The complexity of the automated interface and underlying mapping rules impaired our ability to replicate the journal entries or perform alternative procedures using currently available information to determine whether transactions were completely and accurately recorded and reported in the appropriate general ledger accounts and line items within the Schedules of the General Fund, respectively. The process Fiscal Service designed for generating journal entries in the Schedules of the General Fund general ledgers does not create an audit trail that shows how each transaction was actually recorded in the general ledgers. For example, there was no systematic approach we could use, such as filtering by a unique identifier, to identify all the journal entries related to a specific transaction.
- **Tracing payment schedules to payment vouchers:** Fiscal Service experienced difficulties in linking the payment schedule(s) to the payment voucher amounts, in part, because of the many different systems involved in the processing of payments and how the information continues to be summarized as it flows from one system to another. By the time a voucher is recorded in the general ledgers, some of the key information that would facilitate traceability is not carried forward during the summarization process. For example, the

⁶Auditing Standards Board, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*, AU-C 200, and *Modifications to the Opinion in the Independent Auditor's Report*, AU-C 705.

general ledgers do not include information such as the payment schedule number and RTN, which facilitate the tracing of the voucher information to the information that the federal agencies requested and certified.

- **Identifying transactions in certain line items:** Fiscal Service did not design sufficient agency reporting requirements, such as a sufficient variety of TAS and BETC attributes in CARS, that the federal agencies could use to provide Fiscal Service with information, at a transaction level, to support financial reporting for certain line items on the Schedules of the General Fund. For example, federal agencies do not have a way to associate outflows to appropriated or nonappropriated balances when classifying transactions in CARS. As a result, Fiscal Service estimates the amount and records a manual journal entry monthly to reflect the effect on the net equity line item and note disclosure. However, the amounts recorded for these journal entries are summarized and cannot be directly linked to distinct transactions.

Similarly, transactions for certain activities are netted based on the TAS and BETC assigned by the federal agencies and recorded to broadly categorized general ledger accounts at a summarized level. This prevents Fiscal Service from obtaining the necessary details from its records to identify the specific activities reported on certain line items on the Schedule of Changes in Cash Balance from Budget and Other Activities, including the budget deficit.

Effect. The effect associated with each of the deficiencies discussed above follows:

- **Identifying journal entries:** Without the ability to readily identify and trace General Fund transactions from initiation all the way through the recording in the Schedules of the General Fund general ledgers, we cannot determine whether transactions are completely and accurately recorded and reported in the appropriate general ledger accounts and line items within the schedules, respectively.
- **Tracing payment schedules to payment vouchers:** Without maintaining direct links between the payment schedule(s) and the payment voucher(s), Fiscal Service cannot readily provide documentation to us to determine whether transactions agree to the information certified by the federal agency.
- **Identifying transactions in certain line items:** Without sufficient TAS and BETC attributes to provide the appropriate level of detail in the general ledgers for certain transactions, we cannot determine

whether certain line items on the Schedule of Changes in Cash Balance from Budget and Other Activities, including the deficit, are properly supported.

Recommendations for Executive Action. We are making the following three recommendations to Fiscal Service:

- The Commissioner of Fiscal Service should develop and implement a mechanism to reasonably assure that all the journal entries recorded in the Schedules of the General Fund general ledgers can be readily identified and traced, such as through a unique identifier, to determine the effect of a transaction on all applicable general ledger accounts and line items of the Schedules of the General Fund, including the budget deficit. (Recommendation 1)
- The Commissioner of Fiscal Service should develop and implement a mechanism to reasonably assure that payment transactions recorded in the Schedules of the General Fund general ledgers capture all of the key information needed, including payment schedules if applicable, to readily trace transactions to the information certified by the federal agency. (Recommendation 2)
- The Commissioner of Fiscal Service should develop and implement additional reporting requirements with related guidance for federal agencies that better align with the General Fund financial reporting objectives and enable Fiscal Service to capture the effect of a transaction on all applicable general ledger accounts and line items of the Schedules of the General Fund, including the budget deficit. (Recommendation 3)

Evaluating and Resolving Differences Reported on the Schedules of the General Fund

Several federal agencies have not yet fully implemented CARS as their primary system of record and, as a result, do not report and classify their transactions on a daily basis. Instead, these non-CARS federal agencies submit summary-level information to CARS through two forms—a Statement of Accountability and a Statement of Transactions—on a monthly basis. However, these agencies' daily cash activity is tracked in the General Fund's source system records based on information that the Federal Reserve Bank reports. Each month, Fiscal Service reconciles the data the non-CARS federal agencies report on these forms to information in the General Fund's source system records.

Cumulative differences, if any, are reflected in Statement of Difference general ledger accounts in the General Fund's records until the federal agencies resolve their respective differences. These differences are included in the LFBWT amount recorded on the Schedule of the Operations of the General Fund and are separately disclosed as the "Statement of Difference" on Note 9 of the Schedules of the General Fund. However, these differences are not included in the calculation of the budget deficit until they are resolved by the federal agencies, which could take years. The Statement of Difference totaled \$857 million (net) as of September 30, 2018.

Condition. During our audit, we found that Fiscal Service does not have a mechanism to determine the effect that these differences have on the different line items of the Schedules of the General Fund. For example, Fiscal Service's procedures do not include obtaining information about (1) the general nature and causes of the differences or (2) the extent to which the differences may result from errors within the General Fund's records.

Criteria. Internal control standards state that management should design control activities to achieve objectives and respond to risks.⁷ For financial reporting, such objectives include the existence, completeness, and appropriate valuation of reported amounts.⁸

Cause. Differences arise because the information submitted by the non-CARS federal agencies varies in detail and timing when compared with the information in the General Fund's source system records.

Effect. Until all federal agencies implement CARS or Fiscal Service develops a process to determine the effect these differences have on the different line items of the Schedules of the General Fund, including the budget deficit, there is an increased risk of misstatements on the Schedules of the General Fund.

Recommendation for Executive Action. We recommend that the Commissioner of Fiscal Service develop and implement a process that would enable Fiscal Service to obtain the information necessary to

⁷GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

⁸Auditing Standards Board, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, AU-C 315.

effectively assess the effect of the Statement of Difference on the Schedules of the General Fund for those federal agencies that have not implemented CARS. (Recommendation 4)

Other Significant Deficiencies

In addition to the significant deficiencies discussed above that contributed to our disclaimer of opinion on the Schedules of the General Fund, we found two other significant deficiencies in internal control.

Information Systems Controls

During our audit, we identified ineffective controls over certain Fiscal Service information systems relevant to the Schedules of the General Fund. We identified 26 information systems general and application control deficiencies related to access controls, configuration management, segregation of duties, contingency planning, and business process controls. The majority of the control deficiencies identified affected payment systems. For fiscal year 2018, the General Fund reported more than \$14 trillion in cash outflows; however, debt repayments and tax refunds collectively represent most of the payment transactions. Debt repayments and tax refunds are reported in the Schedules of Federal Debt (SFD) and the Internal Revenue Service's (IRS) fiscal years 2018 and 2017 financial statements, respectively, which GAO audited separately.⁹ Further, agencies have daily access to their payment activity and can verify whether the General Fund's payments amounts match their own records. This lessens the likelihood of a material misstatement of cash outflows on the Schedules of the General Fund. Because of their sensitive nature, details of these deficiencies are reported in a LIMITED OFFICIAL USE ONLY report that we issued concurrently.¹⁰ The information in our concurrently issued report is sensitive and must be protected from public disclosure. Therefore, further

⁹See GAO, *Financial Audit: IRS's Fiscal Years 2018 and 2017 Financial Statements*, [GAO-19-150](#) (Washington, D.C.: Nov. 9, 2018), and *Financial Audit: Bureau of the Fiscal Service's Fiscal Years 2018 and 2017 Schedules of Federal Debt*, [GAO-19-113](#) (Washington, D.C.: Nov. 8, 2018).

¹⁰See GAO, *Management Report: Improvements Needed in the Bureau of the Fiscal Service's Information System Controls Related to the Schedules of the General Fund*, [GAO-19-463RSU](#) (Washington, D.C.: May 15, 2019).

discussion about the information system control deficiencies we identified is omitted from this report.

In addition to the 26 deficiencies discussed above, the General Fund reported a liability for Federal Debt & Accrued Interest Payable held and managed by the Department of the Treasury (Treasury) of more than \$21.6 trillion as of September 30, 2018. During our 2018 audit of the SFD, we identified and reported a significant deficiency in SFD information system general controls that also affects this line item.¹¹ Similarly, the General Fund reported custodial tax collections and refunds as cash in and cash out that are also reported as custodial tax collections and refunds in IRS's financial statements.¹² During our fiscal year 2018 audit of IRS's financial statements, we identified and reported a significant deficiency in IRS's internal control over financial reporting systems that also affects the General Fund.

Management's Risk Assessment and Monitoring of Internal Control over Financial Reporting

Management uses internal control to help the organization achieve its objectives. Risk assessments provide management the basis for developing appropriate risk responses as it seeks to achieve those objectives. Monitoring controls are activities that management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews. For years, Fiscal Service has been assessing risks and monitoring internal control over its entire bureau. Beginning in fiscal year 2018, Fiscal Service assumed the responsibility for internal controls over financial reporting related to the Schedules of the General Fund.

Condition. We found that Fiscal Service did not fully assess the General Fund's risks and related internal controls for all material line items on the Schedules of the General Fund or adequately monitor the effectiveness of those internal controls. Specifically, we found that Fiscal Service did not adequately (1) identify or test all relevant controls over material financial statement line items and (2) document its test plans to reflect internal control test procedures performed.

¹¹[GAO-19-113](#).

¹²[GAO-19-150](#).

- **Identifying and testing all relevant controls:** Fiscal Service designed an internal control evaluation process that was intended to identify and assess the effectiveness of key controls applicable to the processes significant to compiling the financial report of the Schedules of the General Fund. Its methodology includes steps for assessing the significant financial reports, identifying the key business processes that contribute to the significant financial reports, and creating a crosswalk between the financial statement line items to the processes and subprocesses. However, we found that Fiscal Service did not conduct the assessment as designed. As a result, we identified several significant controls within processes and subprocesses that contribute to developing the Schedules of the General Fund that Fiscal Service either did not (1) include in its test plans because they were not part of its list of controls already undergoing review as part of the internal control evaluation process or (2) adequately test because the controls had not been designed to respond to risks specific to the General Fund. In addition, Fiscal Service did not review test results of other Treasury components to determine whether any of the component internal control processes covering material General Fund line items, such as Due from Treasury, had any effect on the internal control over financial reporting for the General Fund.
- **Documenting test plans to reflect test procedures performed:** To evaluate internal control, Treasury developed guidance for each of its components to follow based on Office of Management and Budget (OMB) Circular No. A-123.¹³ The guidance states that work performed is subject to Office of the Deputy Chief Financial Officer and Treasury's auditors review and that the documentation must be maintained at a sufficient level of detail to withstand management or auditor scrutiny. To address this requirement, Fiscal Service developed test plans to document its testing of its significant internal control activities to document its conclusions. However, we have found several instances in which Fiscal Service did not accurately document the internal control test plans to reflect the test procedures performed. For example, Fiscal Service documented that it tested internal controls over a report by randomly selecting three monthly report reconciliations. However, Fiscal Service officials confirmed that the test plan was not updated to reflect that the reconciliation was actually a quarterly procedure and that only 1 month of the three listed

¹³Office of Management and Budget, *Management's Responsibility for Enterprise Risk Management and Internal Control*, OMB Circular No. A-123 (revised July 2016).

as being reviewed was actually tested, and agreed that Fiscal Service's test documentation was incorrect. In another instance, Fiscal Service's documentation described a quarterly Risk Governance Process work group as a key control to reasonably assure proper responses to organizational change. However, when we requested meeting minutes of the work group, Fiscal Service informed us that the work group had disbanded in 2016 and prior to that it was not performing the control function referenced in the documentation.

Criteria. Internal control standards state that management should define objectives clearly to enable the identification for risks and define risk tolerances. Further, management should identify, analyze, and respond to risks related to achieving defined objectives.¹⁴ Once an adequate internal control system is in place, management can properly establish and operate monitoring activities to monitor the internal control system and evaluate the results, which aid management in identifying internal control issues and remediating identified internal control deficiencies on a timely basis.

Cause. We found that management did not adequately identify and assess risks for the General Fund as an independent reporting entity in order to properly evaluate significant internal controls within the General Fund and adequately monitor their effectiveness.

Effect. Without properly considering the General Fund as a separate reporting entity, Fiscal Service cannot adequately assess risks related to the Schedules of the General Fund and determine whether appropriate internal controls are designed and implemented. Further, without establishing proper monitoring activities, management will be unable to effectively identify internal control issues to evaluate and develop remediation plans to address those issues in a timely manner.

Recommendation for Executive Action. We recommend that the Commissioner of Fiscal Service design and implement procedures to evaluate risks and monitor internal controls over financial reporting relevant to the Schedules of the General Fund. (Recommendation 5)

¹⁴[GAO-14-704G](#).

Other Control Deficiencies

In addition to the significant deficiencies discussed above, we identified the following three deficiencies in internal control, which we do not consider to be material weaknesses or significant deficiencies.

Agency-Submitted Information

During our audit, we identified a control deficiency related to Fiscal Service's agency-submitted information. Specifically, this deficiency involves activities related to the following two areas: (1) providing BETC guidance and (2) reviewing Agency Submission Forms.

BETC guidance: As discussed previously, Fiscal Service uses federal agencies' classification, including TAS and BETC attributes, to record transactions in the general ledger. These transactions affect the cash and LFBWT activity presented within various line items throughout the Schedules of the General Fund. To assist federal agencies in selecting the appropriate BETC attributes, Fiscal Service provides guidance on its website, including a listing and brief description of all BETCs.

Agency Submission Forms: In order to report other activity with the General Fund that is not reported in CARS, federal agencies submit information through Agency Submission Forms on a quarterly basis. The Agency Submission Form is a standardized electronic form that allows federal agencies to specify the type of transaction, general ledger account, amount, and other attributes. Using the information provided by federal agencies, Fiscal Service records manual journal entries in the General Fund general ledger that correspond with the federal agencies' activities with the General Fund in order to eliminate intragovernmental transactions in the consolidated financial statements of the U.S. government. These transactions are included in the Due from Agencies - Accrual Amounts, Due from Agencies - Other Debt, and Other Liabilities line items on the Schedule of the Operations of the General Fund.

Condition. The condition associated with the deficiencies for each area is as follows:

- **BETC guidance:** During our audit, we identified an instance in which a federal agency used an incorrect BETC when classifying a transaction. Specifically, we identified a credit reform subsidy expense transaction that was classified using an incorrect BETC, which caused

the transaction to be erroneously included in the Loan Disbursements/Default Payments line item of the Schedule of the Changes in Cash Balance from Budget and Other Activities.

- **Agency Submission Forms:** During our audit, we found that Fiscal Service did not independently obtain and review supporting documentation for activity reported in the Schedules of the General Fund that relied solely on information included in Agency Submission Forms. Also, Fiscal Service did not have procedures to assess the overall completeness of the activity related to the Due from Agencies - Accrual Amounts, Due from Agencies - Other Debt, and Other Liabilities line items. Further, we identified an instance in which Fiscal Service did not adequately review a journal entry resulting from an Agency Submission Form for adherence to relevant accounting criteria.

Criteria. Internal control standards state that management should design control activities to achieve objectives and respond to risks.¹⁵ For financial reporting, such objectives include the completeness and accuracy of reported amounts. Further, the *Treasury Financial Manual* includes requirements for agencies to follow a standard set of processes that support the recording, reporting, reconciliation, and measurement of intragovernmental activity.

Cause. The cause associated with each of the deficiencies discussed above is as follows:

- **BETC guidance:** Although Fiscal Service maintains a listing of BETCs on its website, this guidance does not comprehensively define each BETC or describe its proper use and related accounting implications. Further, Fiscal Service does not have a mechanism for evaluating the agencies' use of BETCs for consistency with existing guidance.
- **Agency Submission Forms:** While Fiscal Service has procedures to record transactions that correspond to federal agencies' activity reported on Agency Submission Forms related to the General Fund, the procedures do not require Fiscal Service to (1) obtain and review supporting documentation for the reported activity or (2) assess the overall completeness of federal agency-reported activity with the General Fund. In addition, the journal voucher review process does

¹⁵[GAO-14-704G](#).

not require Fiscal Service to review relevant accounting criteria that apply to activity reported by agencies.

Effect. The effect associated with each of the deficiencies discussed above is as follows:

- **BETC guidance:** Without sufficient guidance that defines and describes the proper use of BETCs available to federal agencies and a mechanism for evaluating agencies' use of them, Fiscal Service is at increased risk that federal agencies may not properly classify their transactions.
- **Agency Submission Forms:** By not obtaining and reviewing supporting documentation or requiring a review of accounting policies applicable to amounts reported on Agency Submission Forms, Fiscal Service does not have the data necessary to assess whether transactions included in the forms are appropriately recorded and reflected in the Schedules of the General Fund.

Recommendations for Executive Action. We are making the following four recommendations to Fiscal Service:

- The Commissioner of Fiscal Service should enhance guidance available to federal agencies to comprehensively define and describe the proper use and related accounting implications of each BETC. (Recommendation 6)
- The Commissioner of Fiscal Service should develop and implement a mechanism for evaluating agencies' use of BETCs based on the enhanced guidance. (Recommendation 7)
- The Commissioner of Fiscal Service should design and implement procedures to (1) obtain and review supporting documentation for reported activity included on Agency Submission Forms and (2) assess the overall completeness of federal agency activity reported on Agency Submission Forms. (Recommendation 8)
- The Commissioner of Fiscal Service should enhance journal voucher review procedures to include a review of relevant accounting criteria before recording transactions based on Agency Submission Forms. (Recommendation 9)

Validating LFBWT Balances

The General Fund transacts with federal agencies that receive appropriation authority and maintains an intragovernmental relationship with these federal agencies. Fiscal Service, which manages the General

Fund, issues warrants to federal agencies, which reflect the amount authorized to be obligated and expended from the General Fund for the specified purpose and period of availability provided by law. Upon receiving its warrant, a federal agency records the amount as Fund Balance with Treasury (FBWT)—an asset account that reflects its available budget authority—in its accounting records. In turn, the General Fund records a corresponding amount in its LFBWT to provide for the central accounting of appropriations. The amounts are recorded at the TAS level, which includes designating the type of account and period the funding is available.

Condition. During our audit, we found that the population of TAS accounts that compose the General Fund’s LFBWT account included (1) an erroneous TAS balance of approximately \$9.0 billion that Fiscal Service identified in fiscal year 2016, but had not corrected in its records as of September 30, 2018; (2) two accounts that should have been closed in the early 1990s; and (3) accounts with long-standing negative balances.

Criteria. Internal control standards state that management should design control activities to achieve objectives and respond to risks.¹⁶ For financial reporting, such objectives include the existence, completeness, and appropriate valuation of reported amounts.¹⁷ Also, intragovernmental balances should agree, as unresolved differences could represent misstatements in reported amounts in the federal agency’s records as well as in the consolidated U.S. government financial statements. Further, the *Treasury Financial Manual* includes requirements for entities to follow a standard set of processes that support the recording, reporting, reconciliation, and measurement of intragovernmental activity.¹⁸ It also requires that entities involved in intragovernmental transactions reconcile and resolve any differences between each other on a routine basis.

Cause. Agencies are responsible for reconciling their FBWT account to General Fund records. Fiscal Service has not established procedures to periodically review all active TAS accounts to determine whether they are

¹⁶GAO-14-704G.

¹⁷Auditing Standards Board, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*.

¹⁸Bureau of the Fiscal Service, *Treasury Financial Manual, Chapter 4700, Agency Reporting Requirements for the Financial Report of the United States Government*, accessed March 22, 2019, <https://tfm.fiscal.treasury.gov/v1/p2/c470.html>.

valid and the related General Fund account balances are consistent with federal agency records. Further, while Fiscal Service has procedures in place to monitor negative TAS balances, the procedures are limited and do not include TAS accounts with indefinite periods of availability.

Effect. Without procedures to independently determine whether all active Treasury accounts are valid and the related account balances are consistent with the federal agency records, Fiscal Service cannot determine whether LFBWT balances are properly recorded and the reported amounts are consistent with agency records. In addition, without procedures requiring Fiscal Service to monitor and follow up on the status of TAS accounts with indefinite periods of availability, Fiscal Service is at increased risk that misstatements to the Schedules of the General Fund may occur.

Recommendations for Executive Action. We are making the following two recommendations to Fiscal Service:

- The Commissioner of Fiscal Service should design and implement procedures to periodically review all active Treasury accounts to determine whether they are valid and the related General Fund account balances are consistent with federal agency records. (Recommendation 10)
- The Commissioner of Fiscal Service should enhance current procedures for reviewing negative balances to include Treasury accounts with indefinite periods of availability. (Recommendation 11)

Recording Prior Period Transactions in the General Fund General Ledger

Fiscal Service and federal agencies may identify and record transactions in the current year that should have been recorded in a prior fiscal year, for example, to correct an error or reclassify a transaction. Generally, such transactions are recorded based on agency consultation with Fiscal Service and OMB.

Condition. During our audit, we identified 23 prior period transactions that Fiscal Service recorded in the fiscal year 2018 Schedule of the Operations of the General Fund that according to Fiscal Service officials relate primarily to federal agencies' corrections to activity or balances reported in prior years. The transactions, which were not material in relation to the Schedules of the General Fund as a whole, primarily

affected the Warrants Issued line item in Note 2, Adjustments line item in Note 2, and LFBWT activity in Note 9. Recording these transactions in a prior fiscal year would have affected the beginning balance for these line items rather than fiscal year 2018 activity.

Criteria. Statement of Federal Financial Accounting Standards 21 states that “prior period financial statements should only be restated for corrections of errors that would have caused any statements presented to be materially misstated.”¹⁹

Cause. Fiscal Service’s standard operating procedures for such transactions do not require an assessment of materiality to determine the appropriateness of recording them as current year adjustments or adjustments to beginning balances. Instead, the procedures call for recording a journal entry that corresponds to the federal agency’s accounting treatment of the transaction, without assessing the effect on the Schedule of the Operations of the General Fund.

Effect. By not assessing the materiality of prior period transactions recorded by federal agencies, Fiscal Service is unable to determine whether it should restate the Schedule of the Operations of the General Fund for prior periods.

Recommendation for Executive Action. We recommend that the Commissioner of Fiscal Service enhance the standard operating procedures for prior period transactions to include a requirement for Fiscal Service to assess the materiality of transactions to determine the appropriateness of recording them as a current year adjustment or restating the prior period. (Recommendation 12)

¹⁹Federal Accounting Standards Advisory Board, *Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources*, Statement of Federal Financial Accounting Standards 21.

Appendix II: Comments from the Bureau of the Fiscal Service

**Appendix II: Comments from the Bureau of the
Fiscal Service**



DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

May 1, 2019

Ms. Beryl H. Davis
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Davis:

Thank you for the opportunity to comment on the Government Accountability Office's (GAO) audit report on the Fiscal Year (FY) 2018 audit of the Schedules of the General Fund of the U.S. Government (Schedules), managed by the Bureau of the Fiscal Service (Fiscal Service).

While we concur with the results of the audit, it is important to note that the Fiscal Service maintains controls to confirm the integrity of the government's cash flow. This is validated each day when the daily cash position is balanced via the Treasury Cash Integrated Reconciliation Process. Federal entities also have daily access to their payment activities and can verify whether the General Fund's payment amounts match their own records, another control over the government's cash flow.

We recognized there would be hurdles inherent with a first-year audit of this magnitude and understand the value of the audit results toward achieving future progress and improvements. We appreciate GAO's perspective and look forward to the opportunity to implement corrective actions to overcome the barriers to auditability of the Schedules. The Fiscal Service has expended substantial effort in the past several years to not only establish the General Fund of the U.S. Government (General Fund) as a reporting entity, but to develop the unique accounting scenarios and complex operational processes to support the financial reporting in the Schedules; all of which was done while maintaining mission critical functions that serve the entire federal government.

GAO's dedication and effort throughout the inaugural audit of the Schedules is certainly appreciated. We look forward to sustaining a productive and successful relationship with your staff in the coming year, as we prepare for the FY 2020 audit.

Sincerely,

A handwritten signature in cursive script that reads "Kimberly A. McCoy".

Kimberly A. McCoy
Commissioner
Bureau of the Fiscal Service

Appendix III: Accessible Data

Schedules

Accessible Data for Schedules of the General Fund of the United States

Schedule of the Operations of the General Fund For the Year Ended September 30, 2018

(In millions of dollars)

	2018
Assets of the General Fund	
Cash Held by Treasury for Governmentwide Operations (Note 3)	
Beginning Balance	\$ 153,627.0
Federal Program Agency	
Cash In	14,229,328.0
Cash Out	(14,004,237.7)
Net Activity	225,090.3
Ending Cash Balances	378,717.3
Assets for Agency's Custodial and Non-Entity Transactions	
Due from Treasury (Note 4)	
Loans & Interest Receivable	1,514,643.4
Government Sponsored Enterprises	113,150.0
Unemployment Trust Fund	2.7
Gold without Certificates and Silver Held by the Mint	25.0
Taxes Receivable	58,000.0
Federal Supplemental Medical Insurance Trust Fund	5,024.3
Accrual Amounts	3,352.4
Total Due from Treasury	1,694,197.8
Due from Agencies	
General Fund Receipt Accounts (Note 5)	
Balance	15,664,075.4
Balance Remitted to the General Fund	(15,664,075.4)
Accrual Amounts	50,976.5
Other Debt (Note 6)	6,380.1
Total Due from Agencies	57,356.6
Total Assets for Agency's Custodial and Non-Entity Transactions	1,751,554.4
Other Assets (Note 7)	1,471.7

Schedule of the Operations of the General Fund For the Year Ended September 30, 2018

Total Assets of the General Fund	\$ 2,131,743.4
Liabilities of the General Fund	
Liabilities without Related Budgetary Obligations	
Due to Treasury - Federal Debt & Accrued Interest Payable (Note 8)	21,643,639.4
Due to Treasury - Refunds Payable	2,974.0
Total Liabilities without Related Budgetary Obligations	21,646,613.4
Liability for Fund Balance with Treasury (Note 9)	
Beginning Balance	2,024,687.9
Activity	
Federal Program Agency	243,825.3
Non-Federal Funds (Note 10)	1,881.3
Total Activity	245,706.6
Ending Liability for Fund Balance with Treasury	2,270,394.5
Other Liabilities	478.1
Total Liabilities of the General Fund	23,917,486.0
Net Equity (Note 2)	(21,785,742.6)
Total Liabilities and Net Equity	\$ 2,131,743.4

United States Government

Schedule of Changes in Cash Balance from Budget and Other Activities for the Year Ended September 30, 2018

	2018
(In millions of dollars)	
Cash flow from budget activities	
Total budget receipts.....	3,328,745.2
.....	
Total budget outlays	(4,107,741.5)
.....	<u>741.5</u>
<i>Budget deficit</i>	(778,996.3)
.....	
Adjustments for non-cash outlays included in the budget	
Non-cash flow amounts in the budget related to federal debt securities	

United States Government
Schedule of Changes in Cash Balance from Budget and Other Activities for the Year Ended
September 30, 2018

Accrued interest	268,485.7
.....	
.....	
Net amortization.....	41,888.8
.....	
.....	
Other.....	<u>1,153.1</u>
.....	
<i>Subtotal - adjustments for non-cash flow amounts in the budget related to federal debt securities</i>	311,527.6
.....	
<i>Non-cash flow amounts in the budget related to guaranteed and direct loan financing activity</i>	
Interest revenue on uninvested funds.....	7,894.4
.....	
Interest expense on agency borrowings.....	(42,070.5)
.....	
.....	
Agencies' downward reestimates/negative subsidy payments.....	(37,316.9)
.....	
Agencies' subsidy expense/upward reestimates.....	<u>35,804.5</u>
.....	
<i>Subtotal - adjustments for Non-cash flow amounts in the budget related to guaranteed and direct loan financing activity.....</i>	<u>(35,688.5)</u>
.....	
<i>Total of Adjustments for non-cash outlays included in the budget.....</i>	<u>275,839.1</u>
.....	
Cash flow from activities not included in the budget	
<i>Cash flow from non-budget activities related to federal debt securities</i>	
Interest Paid	(260,446.8)
.....	<u>6.8</u>
.....	
<i>Subtotal - cash flow from non-budget activities related to federal debt securities.....</i>	(260,446.8)
.....	
<i>Cash flow from non-budget activities related to guaranteed and direct loan financing activity</i>	
Loan Disbursements/Default Payments.....	(194,870.4)
.....	
.....	
Fees.....	24,987.5
.....	
.....	

United States Government
Schedule of Changes in Cash Balance from Budget and Other Activities for the Year Ended
September 30, 2018

Principal & Interest Repayments.....	117,659.5
Other Collections on defaulted loans receivable and sale of foreclosed property.....	5,680.0
Miscellaneous Asset/Liability Activity not impacting Loan Receivables or Loan Guarantee Liability.....	<u>588.8</u>
<i>Subtotal - cash flow from non-budget activities related to guaranteed and direct loan financing activity.....</i>	<i>(45,954.6)</i>
Cash flow from financing federal debt securities	
Borrowings.....	10,080,073.5
Repayments.....	(8,993,500.7)
Discount/Premium.....	<u>(54,698.9)</u>
<i>Subtotal - cash flow from financing federal debt securities.....</i>	<i><u>1,031.8</u></i>
<i>Total cash Flow from activities not included in the budget.....</i>	<i><u>725.47</u></i>
Other-General Fund Activity	
Allocations of Special Drawings Rights.....	(637.4)
Miscellaneous Liability Accounts.....	(219.0)
Loans to the International Monetary Fund.....	3,042.4
Other cash and monetary assets.....	384.6
Non-federal securities of the National Railroad Retirement Investment Trust.....	(498.7)
Miscellaneous asset accounts.....	(694.0)
Transactions not applied to current year's surplus or deficit.....	38.9

United States Government
Schedule of Changes in Cash Balance from Budget and Other Activities for the Year Ended
September 30, 2018

Deposit fund liability balances.....	(3,826.3)
Intragovernmental Holdings.....	9,254.2
Agency Securities.....	287.8
Other Unassigned Cash.....	(4,513.6)
Prior Year Receipts and Outlays Activity.....	156.1
<i>Total</i>	<u>2,775.0</u>
<i>Other</i>	
Change in Cash Held by Treasury for Governmentwide Operations.....	225,090.3
Beginning Cash Held by Treasury for Governmentwide Operations.....	<u>153.62</u>
	<u>7.0</u>
Ending Cash Held by Treasury for Governmentwide Operations.....	<u>378.71</u>
	<u>7.3</u>

The accompanying note 11 is an integral part of this financial statement.

Accessible Text for Notes to the Schedules of the General Fund of the United States

Notes to the Schedules of the General Fund of the United States For the Year Ended September 30, 2018

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

31 U.S.C. §302 establishes the Treasury of the U.S. Government, to reside in the Department of the Treasury (Treasury), and 31 U.S.C. §3513 prescribes that the Secretary of the Treasury shall prepare reports that will inform the President, Congress, and the public on the financial operations of the U.S. government. The Secretary may reorganize the accounting functions and procedures and financial reports of the Treasury to develop an effective and coordinated system of accounting and financial reporting in the Treasury. The Schedules of the General Fund of the United States (Schedules) are comprised of two separate financial schedules: the Schedule of the Operations of the General Fund (Operations Schedule) and the Schedule of Changes in Cash Balance from Budget and Other Activities (Cash Schedule). Managed by the Bureau of the Fiscal Service (Fiscal Service), the Schedules have been prepared to report fiscal year 2018 balances and activity associated with operations of the U.S. government.

The presentation of the Operations Schedule is similar to a Balance Sheet and was prepared to display the General Fund assets and liabilities used to finance the daily and long-term operations of the U.S. government as a whole. The Schedule is therefore divided into two main sections: “Assets of the General Fund” and “Liabilities of the General Fund”.

Treasury holds and manages General Fund assets such as cash, loans and interest receivable and investments in the Government Sponsored Enterprises (GSEs) on behalf of the U.S. government. These non-entity assets are reported separately by Treasury on their Consolidated Balance Sheets, with a corresponding amount reported as Due to the General Fund. As a result of this “Due to” and “Due from” relationship between Treasury and the General Fund, the Operations Schedule displays Assets Due from Treasury separately and in more detail than the amounts for other federal program agencies (FPAs). The balances are also reconciled to their respective amounts within Note 4 of Treasury’s consolidated financial statements titled Due from the General Fund and Due to the General Fund. Additionally, the Ending Cash Balances for Cash Held by Treasury for Governmentwide Operations ties to the last line of the Cash Schedule titled Ending Cash Held by Treasury for Governmentwide Operations.

The Due from Agencies section includes a balance for General Fund Receipt Account (GFRA) collections. FPAs deposit money for GFRA collections into the Treasury General Account (TGA), which increases Cash Held by Treasury for Governmentwide Operations and Net Equity on the Operations Schedule. In addition, the FPAs must record Fund Balance with Treasury (FBWT) and a custodial liability with the General Fund throughout the fiscal year. The Due from Agencies – General Fund Receipt Accounts Balance on the face displays the balance due to the General Fund. At fiscal year-end, the balance is remitted to the General Fund which results in a total due of zero.

The Other Assets line is primarily comprised of Cash and Investments Held Outside of Treasury (CIHO) by the Department of Defense.

Treasury also manages and reports General Fund liabilities, primarily federal debt and accrued interest payable, on their Consolidated Balances Sheets, with a corresponding amount reported as Due from the General Fund. The General Fund “Due to Treasury” balances are on the Operations Schedule and broken out between Federal Debt & Accrued Interest Payable and Refunds Payable. The balances are also reconciled to their respective amounts within Note 4 of Treasury’s consolidated financial statements titled Due from the General Fund and Due to the General Fund.

The General Fund records the issuance and activity associated with appropriation authority legislatively granted to FPAs. These authority balances and activity are reflected in the Liability for Fund Balance with Treasury section of the Operations Schedule.

The calculation of Net Equity on the face of the Operations Schedule is the difference between assets and liabilities; however, the composition of Net Equity is displayed and explained in Note 2. The final line of the face is Total Liabilities and Net Equity which tie to the Total Assets of the General Fund.

The Cash Schedule has been prepared to report how the annual budget deficit relates to the change in the government’s cash and other monetary assets, as well as debt held by the public. The budget deficit is the result of outlays (expenditures) exceeding receipts (revenue) during a particular fiscal year. The budget is primarily financed through borrowing from the public and other transactions, such as payment of interest on Treasury securities held by public, which require cash disbursements not part of the deficit. Also, the budget deficit includes certain amounts that are recognized, but disbursed in a future period, or adjustments that did not affect the cash balance, see Note 11–Schedule of Changes in Cash Balance from Budget and Other Activities for detailed information.

Moreover, the Cash Schedule shows the adjustments for non-cash “outlays” included in the budget, and components affecting cash balance not included in the budget, to explain the change in cash and other monetary assets.

Consequently, it explains why the budget deficit normally would not result in an equivalent change in the government’s cash and other monetary assets.

A. Reporting Entity

Fiscal Service is responsible for maintaining adequate accounting records and selecting and applying appropriate accounting policies related to the General Fund’s

operations. The General Fund is the reporting entity responsible for recording and reporting the assets and liabilities related to government operations and carrying out the central accounting function for the federal government. Activities impacting the government's cash balance, including the inflows and outflows of funds; the issuance of appropriations to FPAs; the use of the appropriations by the agencies, offsetting amounts associated with issuance and redemption of federal debt; the issuance of borrowings to FPAs and the public are all included in the Schedules. The Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Concepts (SFFAC) 2, Entity and Display and Statement of Federal Financial Accounting Standards (SFFAS) 47, Reporting Entity together specify the types of entities for which there ought to be financial reports ("reporting entities"), defines the composition of each type of reporting entity, identifies financial reports, and suggests the types of information each report would convey. The accounting and reporting for the General Fund is required to complete the government's accounting model and provide validation of the Budget Surplus/Deficit. The General Fund transacts with every FPA that receives appropriation authority and maintains an intragovernmental relationship with these agencies. This relationship begins when Treasury issues appropriation warrants to FPAs and the General Fund establishes a liability for the associated FBWT, see Note 9 – Liability for Fund Balance with Treasury (LFBWT) for detailed information.

As FPAs carry out their respective agency missions, and use appropriated funds to do so, the General Fund's role is to track the outstanding LFBWT and record the inflow of funds via collections made by the FPAs. Conversely, it is the responsibility of the FPAs to properly classify transactions associated with the use of their appropriated funds, as well as the collections made on behalf of the General Fund. FPAs remain accountable for the proper transaction classification, funds control, and compliance with laws and regulations such as the Improper Payments Information Act and the Antideficiency Act.

The statutory authority for the General Fund reporting entity is found in 31 U.S.C. §302 which provides that "[t]he United States Government has a Treasury of the United States." Fiscal Service, a bureau within the Treasury, maintains and operates the General Fund. Fiscal Service is responsible for maintaining adequate accounting records and selecting and applying appropriate accounting policies related to the General Fund's operations.

B. Basis of Accounting

The Schedules are the financial reports summarizing the transactions of the General Fund and associated impacts to cash from budget and other activities. Unlike federal agency financial statements, the Schedules are a special purpose financial report

whose primary purpose is to provide support for the audit of the Financial Report of the U.S. Government (Financial Report).

The Schedules were prepared in accordance with U.S. generally accepted accounting principles and from an automated accounting system. Accounting principles generally accepted for Federal entities are the standards prescribed by FASAB, which is the official body for setting accounting standards for the federal government. The

FASAB issued SFFAS No. 34, The Hierarchy of Generally Accepted Accounting Principles, including the Application of Standards Issued by the Financial Accounting Standards Board in July 2009. SFFAS No. 34 identified the sources of accounting principles and the framework for selecting the principles used in the preparation of general purpose financial reports of federal reporting entities that are presented in accordance with federal generally accepted accounting principles.

The General Fund reports on an accrual basis. The intent and design of the Operations Schedule, and the inclusion of the Cash Schedule, is to provide the reporting necessary to complete the government's accounting model in providing the complete reporting necessary to consolidate the Financial Report. As a result, the General Fund reports proprietary activity and balances without a corresponding budgetary impact, as the FPAs are responsible for their use of budget authority and record this usage in their individual agency financial reporting. The activities of the General Fund are primarily intragovernmental in nature and should eliminate when consolidated into the Financial Report.

Fiscal Service is responsible for the preparation and fair presentation of the Schedules in accordance with U.S. generally accepted accounting principles and maintaining effective internal controls over financial reporting relevant to the Schedules. This includes assertions that the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Schedules are free from material misstatement, whether due to fraud or error.

C. Net Equity

Net Equity for the General Fund consists of Cumulative Results of Operations and Appropriations Outstanding. See Note 2—Net Equity for detailed information.

D. Cash Held by Treasury for Governmentwide Operations

Treasury holds and manages non-entity cash due to the General Fund, principally comprised of the operating cash of the U.S. government. Federal Reserve Bank of New York is custodian of the account for operating cash of the U.S. government,

known as the TGA or Federal Reserve Account. The TGA is the U.S. government's checking account used for payments and collections. See Note 3—Cash Held by Treasury for Governmentwide Operations for detailed information.

E. Due from Treasury

Treasury holds and manages General Fund assets that constitute resources available to meet the operating needs of the U.S. government. Treasury reports these managed assets separately on their Consolidated Balances Sheets with a corresponding liability titled "Due to the General Fund". The General Fund records an asset within the "Due from Treasury" section of the Operations Schedule to reciprocate this liability. These amounts are comprised of Loans and Interest Receivable, Government Sponsored Enterprises, Unemployment Trust Fund, Gold without Certificates and Silver Held by the Mint, Taxes Receivable, and the Federal Supplementary Medical Insurance Trust Fund all of which are reported by the Department of the Treasury and the corresponding offsets are recorded as reciprocals by the General Fund. See Note 4—Due from Treasury for detailed information.

F. Due from Agencies General Fund Receipt Accounts

The Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 4700, Section 4703, defines a GFRA as "a receipt account credited with all funds from collections that are not identified by law for another account for a specific purpose." These include taxes, customs duties, and miscellaneous collections. Even though agencies report activity in GFRA, the accounts are held and managed by the Treasury on behalf of the General Fund.

FPA's deposit money for GFRA collections into the TGA as prescribed in legislation when funds are to be collected on behalf of the General Fund. In these instances, FPA's act as a custodian and have responsibility to ensure proper accounting and reporting for these inflows until they are remitted to the General Fund, which includes the proper classification of the collection activity based on the authorizing legislation. These transactions inflows are accounted for within a centralized accounting system that subsequently interface to the general ledger of the General

Fund. The impact to the Operations Schedule is an increase to Cash Held by Treasury for Governmentwide Operations and Net Equity (Transfer in of Agency Unavailable Custodial and Non-Entity Collections).

The FPA's must record GFRA collections as FBWT and a custodial liability with the General Fund, throughout the fiscal year. The central accounting and reporting

system transaction that interfaced also increases LFBWT and Due from Agencies – GFRA Balance on the Operations Schedule.

At fiscal year-end, FPAs record the settlement of FBWT and the associated custodial liability with the General Fund. The General Fund reciprocates and records the closing of these accounts through an accounting transaction initiated by the central accounting and reporting system that interfaces to the General Fund general ledger. This creates a decrease to the LFBWT and offsets the Due from Agencies – GFRA Balance with a negative amount for Due from Agencies - Balance Remitted to the General Fund resulting in a total due of zero.

Some non-cash collections recorded in the GFRA are capital transfers and payments on loans and interest receivable from FPAs who borrowed funds through Treasury’s Federal Borrowings Program. These represent increases and decreases of FBWT, not actual cash reflected in Net Activity of Cash Held by Treasury for Governmentwide Operations. See Note 5–Due from Agencies General Fund Receipt Accounts for detailed information.

G. Due from Agencies – Other Debt

This line item balance represents debt and other liabilities without related budgetary obligations owed by FPAs to the General Fund. FPAs record these as a liability in their financial statements and the General Fund reports a corresponding “other asset” to ensure both sides of the intragovernmental transactions are captured and reported for Governmentwide eliminations. See Note 6–Due from Agencies: Other Debt for detailed information.

H. Other Assets

The Other Assets of the General Fund are primarily comprised of CIHO. CIHO are funds under the custodial responsibility of FPAs and/or their employees, officers, or agents that are deposited in non-TGAs or held in an imprest fund, as defined in TFM Volume I, Part 2, Chapter 3400. See Note 7–Other Assets for detailed information.

I. Due to Treasury – Federal Debt & Accrued Interest Payable

The largest General Fund liability is federal debt and accrued interest payable, obligations of the U.S. government. Treasury is responsible for administering the federal debt on behalf of the U.S. government and reports these Department managed liabilities separately on the Consolidated Balance Sheets, with a corresponding amount reported as Due from the General Fund that represents a receivable, or future funds required of the General Fund to repay borrowings from the public and other FPAs. The General Fund records a liability of Due to Treasury –

Federal Debt & Accrued Interest Payable on the Operations Schedule, which reciprocates Treasury's receivable. See Note 8—Due to Treasury: Federal Debt & Interest Payable for detailed information.

J. Liability for Fund Balance with Treasury

The LFBWT section on the face of the Operations Schedule breaks down fiscal year change in activity between FPA and Non-Federal Funds. An agency's FBWT and the General Fund's offsetting LFBWT changes throughout the fiscal year. Increases occur due to appropriations and amounts borrowed from Treasury for example. Decreases occur due to agency disbursements made to pay liabilities or to purchase assets, goods, and services; investments in U.S. securities (securities issued by Treasury or other FPAs); cancellation of expired appropriations; transfers and reimbursements to other entities or the General Fund; sequestration or rescission of appropriations; repayments on borrowings from Treasury and other entities, etc. See Note 9—Liability for Fund Balance with Treasury for detailed information.

K. Liability for Non-Federal Funds

FASAB's SFFAS No. 31, Accounting for Fiduciary Activities, defines fiduciary activity when a Federal entity collects or receives and subsequently manages, protects, accounts for, invests, and/or disposes of cash or other assets in which non-Federal individuals or entities have an ownership interest that the federal government must uphold.

The fiduciary relationship must be based on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship. Non-federal parties must have an ownership interest in cash or other assets held by the Federal entity under provision of law, regulation, or other fiduciary arrangement and must have judicial remedies available for any breach of the federal government's fiduciary obligation. See Note 10—Liability for Non-Federal Funds for detailed information.

L. Changes in Cash Balance from Budget and Other Activities

The budget deficit is primarily financed through borrowings from the public. When receipts exceed outlays, the difference is a surplus. The budget treats borrowing and debt repayment as a means of financing, not as receipts and outlays. The budget records outlays for the interest on the public issues of Treasury debt securities as the interest accrues, not when the cash is paid.

Non-cash flow amounts in the budget related to loan financing account activity also reflect intragovernmental transactions such as interest expense paid or interest revenue received from Treasury, agency year-end credit reform subsidy reestimates,

and the receipt of subsidy expense from program accounts. Cash flow from non-budget activities related to loan financing account activity includes all cash flows to and from the public, including direct loan disbursements/default payments to lenders, fees collected, principal and interest repayments, collections on defaulted guarantee loans, and sale proceeds of foreclosed property. The budget totals exclude the transactions of the financing accounts because they are not a cost to the government. However, since loan financing accounts record all credit cash flows to and from the public, they affect the means of financing a budget deficit. See Note 11—Schedules of Changes in Cash Balance from Budget and Other Activities for detailed information.

M. Disclosure Entity

SFFAS No. 47, Reporting Entity, requires agency financial statements to reflect the balances and activities of any reporting entities meeting the “principles for inclusion” outlined in the standard. The principles are: (1) the entity is included in the Budget of the United States; (2) the U.S. government holds “majority ownership interest”; (3) the U.S. government has “control with risk of loss or expectation of benefit”; or (4) if it would be misleading to exclude such entity. Under SFFAS No. 47, the Federal Reserve System (FR System) is a disclosure entity. The FR System includes the Federal Reserve Board of Governors, Federal Reserve Banks, and the Federal Open Market Committee. The FR System is responsible for providing nationwide payments systems, providing certain financial services to federal agencies and fiscal principals, and serving as the U.S. government’s bank, among other functions. The FR System serves as a fiscal agent and depository, executing banking and other financial transactions on the behalf of the Fiscal Service. These transactions impact the balances reported in the Schedules. Fiscal Service reimburses the FR System for these activities.

Note 2. Net Equity

As of September 30, 2018, the General Fund’s net equity balance consisted of the following:

Cumulative Results of Operations

The beginning balance for cumulative results of operations is the amount of net difference since the inception of the General Fund reporting entity or activities listed.

Expended appropriations are a result of the FPAs use of appropriated amounts during the fiscal year for goods and services received or benefits provided. For example, a FPA makes a payment for office supplies using an appropriated amount. The General Fund asset for Cash Held by Treasury decreases by the payment

amount and expended appropriations increase, which reduces net equity in the cumulative results of operations section.

Transfers in of Agency Unavailable Custodial and Non-Entity Collections represent the amount of custodial revenue collected by a FPA on behalf of the General Fund, which increases net equity. Examples include collections for Treasury securities and collections for taxes such as income, excise and social security. FPA accruals for amounts to be collected also result in an increase to the General Fund net equity balance.

Other General Fund Financing Sources represent the reciprocated amounts of accruals and amortization related to federal debt not yet outlaid; as well as, other agency amounts authorized by law for financing by the General Fund. This activity decreases the General Fund's net equity balance.

The Cancellations of Revenue and Other Financing Sources represent the amount of canceled authority derived from revenue and other financing sources returned to the General Fund by a FPA. Examples include spending authority

from offsetting collections and special or trust fund receipts administratively withdrawn. These increase the General Fund net equity balance.

Trust Fund Warrants (issued net of adjustments) are amounts appropriated to the various available trust fund receipt accounts via a warrant journal voucher. The warrant journal voucher moves the FBWT from the GFRA to the available trust fund receipt account, thus reducing net equity.

Appropriations Outstanding

The beginning balance for appropriations outstanding is the cumulative amount of FPA prior fiscal year outstanding appropriation balances.

FPA outstanding appropriation balances represent a LFBWT for the General Fund and negative net equity. An FPA records the enactment of appropriations in their financial system after receiving warrant(s). The warrant issued increases the General Fund's LFBWT and the balance of Appropriations Outstanding, which reduces net equity.

Adjustments to FPAs current, or prior year, unexpended appropriations during the fiscal year can increase or decrease the General Fund LFBWT and net equity. Examples of adjustments include rescissions and cancellations of expired appropriations. As the FPAs use appropriations during the fiscal year for goods and

services for example, the General Fund LFBWT decreases and increases net equity due to outstanding appropriation balances is increased.

Note 3. Cash Held by Treasury for Governmentwide Operations

This balance is principally comprised of the Operating Cash of the U.S. government held in the Federal Reserve Bank of New York's (FRBNY) TGA, net of outstanding checks (until they clear the Federal Reserve System). Also included is a small amount of foreign currency and cash held outside of the TGA maintained by various U.S. disbursing offices.

"Cash In" is largely comprised of federal debt issuances of Treasury securities and accrued interest collected, and tax receipts (e.g. individual income tax, corporate income tax, etc.). Smaller portions include national park entrance fees, passport fees, student loan repayments, customs duties. These transactions vary by FPA and are received through a variety of channels including over-the-counter, mail/lockbox, phone, electronic payments, and payments directly through financial agent channels (commercial depositories).

Social Security benefits and healthcare benefits are among the largest sources of "Cash Out". Other examples include Supplemental Security Income, federal pension benefits, veterans' compensation, pension and education benefits, Railroad Retirement pensions, federal income tax refunds, vendor payments, employee salaries, federal debt repaid to the public, and others.

The Cash Schedule reconciles the budget deficit to the Cash Held by Treasury for Governmentwide Operations Ending Cash Balance.

Note 4. Due from Treasury

Treasury holds and manages General Fund assets that constitute resources available to meet the operating needs of the U.S. government. Treasury reports these managed assets separately on their Consolidated Balances Sheets with a corresponding liability titled "Due to the General Fund". The General Fund records an asset within the "Due from Treasury" section of the Operations Schedule to reciprocate this liability. A description of each asset "Due from Treasury" is below.

Loans & Interest Receivable

Treasury's intragovernmental non-entity loans and interest receivable from other FPAs represent the principal and related interest receivable on loans issued through the Fiscal Service. They act as an intermediary issuing these loans because the receiving agencies lend these funds to third parties to carry out various programs of

the U.S. government. Because of Treasury's intermediary role they do not record a loan loss allowance related to these non- entity intra-governmental loans. Instead, the ultimate lender, the federal agency that issued the loans to the public, recognizes loan loss allowances and subsidy costs. Treasury does accrue interest revenue on intra-governmental loans when earned. The loans and interest receivable balance due from Treasury includes Intra-Departmental balances (between Treasury reporting entities) which Treasury eliminates for financial statement presentation purposes.

Government Sponsored Enterprises

GSEs are financial service corporations established by the U.S. Congress to support mortgage lending. Treasury holds investments (senior preferred stock and warrants for the purchase of common stock) on behalf of the General Fund in two GSEs, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Unemployment Trust Fund

The General Fund issues advances to the Department of Labor's (DOL) Unemployment Trust Fund for states to pay unemployment benefits. The Fiscal Service accounts for the advances issued on behalf of the General Fund. As outlined in 42 United States Code (USC) 1323, Repayable Advances to Federal Unemployment Account, these advances bear an interest rate that is computed as the average interest rate as of the end of the calendar month preceding the issuance date of the advance for all interest-bearing obligations of the U.S. that form the public debt, to the nearest lower 1/8 of 1.0 percent. Interest on the advances is due on September 30 of each year. DOL repays advances when the Secretary, in consultation with the Secretary of the DOL, determines that the balance in the Unemployment Trust Fund is adequate to allow repayment.

Gold without Certificates and Silver Held by the Mint

The United States Mint, a bureau of the Treasury, holds 100,000 fine troy ounces (FTO) of custodial gold reserves without certificates (100,000 FTO x \$42.2222 statutory carrying value = \$4M) and 16,000,000 FTO of custodial silver (16,000,000 FTO x \$1.2929 statutory carrying value = \$21M).

Taxes Receivable

The Internal Revenue Service (IRS), also a bureau of the Treasury, reports federal taxes receivable consisting of tax assessments, penalties, and interest not paid or

abated, and agreed to by either the taxpayer and IRS, or the courts. The receivable is net of an allowance for doubtful accounts, an estimate for uncollectible amounts.

Federal Supplementary Medical Insurance Trust Fund

The General Fund issues advances to the Department of Health and Human Services' (HHS) Federal Supplementary Medical Insurance Trust Fund to temporarily replace the reduction in Medicare Part B participants' premiums. The Fiscal Service accounts for the advances issued on behalf of the General Fund. As outlined in 42 USC 1395,

Prohibition Against Any Federal Interference, these advances do not bear any interest. HHS repays advances over time from amounts collected from certain participants' increase in premiums until the balance due reaches zero.

Accrual Amounts

Amounts for accrual activity recorded in a GFRA. Cash deposited using a GFRA is captured in the central accounting and reporting system and accounted for by the General Fund; however, accrual activity is submitted to the General Fund via an agency submission form. This process is outlined in the TFM, Vol I Part 2 Chapter 4700 Appendix 9 Recording Intragovernmental Transactions (IGT) with the General Fund of the U.S. Government.

Note 5. Due from Agencies – General Fund Receipt Accounts

As of September 30, 2018, Agencies' GFRA balances consisted of the following:

FPA's are responsible for classifying amounts to the appropriate GFRA, which are not classified as dedicated collections as defined by law for a specific purpose.

The largest component of the GFRA balances is the Debt Held by the Public Principal issued during the fiscal year. This amount represents the current year's collections for securities issued by Fiscal Service which include, but are not limited to, Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Inflation-Protected Securities, United States Savings Bonds, and State and Local Government Series securities less discounts on the original issues. As of September 30, 2018 these collections totaled \$13,161,215.5 million.

In addition, \$2,270,846.7 million of the GFRA's collections were from taxes. These are collections from levies (other than duties on imports) under the taxing and regulatory powers of the Constitution, such as income, excise, and social security taxes.

For more information on specific Financial Reporting Entities (FR Entity) activities, please see each FPA's financial report. For more information on the Debt Held by the Public Principal see the Schedules of Federal Debt (also managed by the Fiscal Service).

Note 6. Due from Agencies- Other Debt

Since Other Debt activity is not reported by the agencies through the central accounting and reporting system, the General Fund must rely on trading partner correspondence in order to reciprocate amounts. Balances are adjusted on a quarterly basis.

As of September 30, 2018, ending balances by trading partner for Due from Agencies – Other Debt consisted of the following:

The largest component of Due from Agencies – Other Debt is Department of Energy (DOE). As of September 30, 2018, DOE's ending Other Debt balance was \$3,766.7 million. This balance is primarily comprised of appropriated capital used to support DOE's power facilities.

DOE has four Power Marketing Administrations (PMAs) that market electricity generated mostly by federal hydropower projects. The PMAs are primarily funded from four sources: contract and borrowing authority, direct collections generated from the sale of power, and annual appropriations from the General Fund. Three of the four PMAs receive annual appropriations from the General Fund for construction, operation, and maintenance of their power facilities. This appropriated capital represents the balance of appropriations provided to the PMAs, which must be repaid to the General Fund. However, there is no specific annual repayment amount required.

Note 7. Other Assets

General Fund Other Assets is primarily CIHO.

As of September 30, 2018, Other Assets consisted of the following:

As of September 30, 2018, the Department of Defense CIHO balance was \$860.4 million and the U.S. Postal Service balance was \$564.9 million. Bureau of Engraving and Printing had \$26.9 million of total Other Assets due to confirmed and unconfirmed mutilated currency awaiting review and destruction.

Note 8. Due to Treasury – Federal Debt & Accrued Interest Payable

The federal debt includes borrowings from the public as well as borrowings from FPAs. Debt held by the public primarily represents the amount the U.S. government has borrowed to finance the cumulative cash deficits. Debt held by other FPAs, primarily trust funds, represents balances of Treasury securities held by individual FPAs with either the authority or the requirement to invest excess receipts in Treasury securities, with the principal and interest guaranteed by the full faith and credit of the U.S. government. Federal Debt held by other FPAs, also known as intragovernmental debt holdings, primarily consists of balances in the Social Security trust funds, Medicare trust funds, Military and Health Care Fund and SCRDF.

Per the Schedules of Federal Debt, federal debt and accrued interest payable (the total of principal, accrued interest payable, and net unamortized premiums and discounts for both Debt Held by the Public and Intragovernmental Debt Holdings) was \$21,643,640 million as of September 30, 2018. Please refer to the Schedules of Federal Debt at <https://www.treasurydirect.gov/govt/reports/pd/feddebt/feddebt.htm> for more information.

Note 9. Liability for Fund Balance with Treasury

For FPAs, FBWT is an asset that reflects their available appropriated spending authority and a claim on General Fund assets. The General Fund, as the central reporting entity for the Federal Government, reciprocates this amount as a LFBWT based on central accounting and reporting system transactions that interface to the General Fund general ledger.

An FPA's FBWT and the General Fund's offsetting LFBWT changes throughout the fiscal year. Increases occur due to appropriations and amounts borrowed from Treasury for example. Decreases occur due to agency disbursements made to pay liabilities or to purchase assets, goods, and services; investments in U.S. securities (securities issued by Treasury or other FPAs); cancellation of expired appropriations; transfers and reimbursements to other entities or the General Fund; sequestration or rescission of appropriations; repayments on borrowings from Treasury and other entities, etc.

The LFBWT section on the face of the Operations Schedule breaks down fiscal year change in activity between FPA and Non-Federal Funds. The FPA activity is the change in resources available to support operations/programs. LFBWT for Non-Federal Funds is for cash held in the U.S. Treasury and administered by a Federal entity on behalf of fiduciary beneficiaries. The owner of this FBWT is a non-Federal party. See Note 10-Liability for Non-Federal Funds for more information. Per the TFM, FPAs are required to reconcile their FBWT balances (by Treasury Account Fund Symbol) to the central accounting and reporting system on a regular and recurring basis to assure the integrity and accuracy of the Financial Report data.

When agency balances do not match the balances in the central accounting and reporting system it results in a Statement of Difference (SOD). The last row of the table below shows the total SOD amount for all FPAs as of September 30, 2018.

As of September 30, 2018, activity and balances for LFBWT consisted of the following:

Note 9. Liability for Fund Balance with Treasury - Key Terms

Appropriation

An appropriation authorizes obligations and payments using general funds, special funds, or trust funds. LFBWT fiscal year net activity is General Fund's reciprocal recognition of the FPAs appropriation-related transactions.

Appropriation-related transactions include increases for new appropriations, reductions for the cancellation of appropriations, reductions for rescissions and appropriation transfers (increases and decreases). The sweeping of miscellaneous general fund unavailable receipt accounts is also included within the appropriation column.

Transfers

Transfers reduce budgetary resources (budget authority and unobligated balances) in one account and increase them in another by the same amount; a transfer cannot be made, unless a law authorizes it. The law may specify a particular transfer or provide general transfer authority within specified limits. The Transfers column represents the LFBWT fiscal year activity for inter and intra-FPA transfers.

Borrowings

FPAs that have legal authority granted by Congress through legislation may borrow funds from Treasury. The Borrowings column represents the LFBWT fiscal year activity for the FPAs borrowings. The balances related to the borrowing activities are included in the Operations Schedule under "Due from Treasury – Loans & Interest Receivable".

For example, at the end of fiscal year 2018 the Department of Education (Education) had outstanding loan balances due to Treasury. Additional amounts borrowed during the current fiscal year, net of any repayments, will equal the amount listed in the Borrowings column for Education.

Trust Funds

Trust funds account for the collections and payments of monies by the Government for carrying out specific purposes and programs in accordance with the terms of a statute that designates the fund as a trust fund or for carrying out the stipulations of a trust agreement where the Nation is the beneficiary (such as any of several trust funds for gifts and donations for specific purposes). Special funds are established when the law requires the Government to dedicate collections from a specified source to finance a particular program and the law neither authorizes the fund to conduct a cycle of business-type operations (making it a revolving fund) nor designates it as a trust fund.

The Trust Funds column represents the LFBWT fiscal year activity for the FPAs transfers of unavailable receipt accounts and GFRA to trust fund and special fund expenditure accounts.

Budget Receipts

Budget receipts are collections from the public that result from the Government's exercise of its sovereign power to tax or otherwise compel payment. They consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, regulatory fees, customs duties, court fines, certain license fees, and deposits of earnings by the Federal Reserve System.

There are cash collections not deemed budget receipts and therefore not included in the budget. Fiscal Service establishes deposit fund accounts to record monies that do not belong to the federal government. Monies received by deposit funds are not budget receipts but rather considered a means of financing.

The deposit fund classification is proper for any account that meets one of the following three criteria: Monies withheld from government payments for goods and services received; Monies the government is holding awaiting distribution based on a legal determination or investigation; deposits received from outside sources for which the government is acting solely as a banker, fiscal agent, or custodian.

The Budget Receipts column total ties to the "Total budget receipts" line of the Cash Schedule.

Budget Net Outlays

Budget Net Outlays are net of offsetting collections and offsetting receipts. Offsetting collections are from Government accounts or the public that are of a business-type or market-oriented nature. When the collections are authorized by law to be credited to federal agency expenditure fund accounts and are generally available for

expenditure without further legislation they are deemed Offsetting Collections; otherwise, they are deposited in receipt accounts and called offsetting receipts. An example of a business-type collection from the public is proceeds from the sale of postage stamps.

Budget Net Outlays are generally accounted for based on checks issued, electronic funds transferred, or cash payments made; however, certain outlays do not require issuance of cash or checks. For example, federal debt is the largest legally and contractually binding obligation of the government and accrued interest on federal debt held by the public is a key metric for financial management decisions. Treasury records budget outlays for the interest on the debt held by the public as it accrues, not when it is paid. Treasury also records a non-cash budget outlay for amortized discount and premiums on debt held by the public over the life of the security.

There are also cash payments not included in budget outlays and therefore not included in the budget. The Government does not own deposit fund balances and monies paid by deposit funds are not budget outlays but rather a means of financing.

The Budget Net Outlays column total ties to the "Total budget outlays" line of the Cash Schedule.

Budget Neutral Receipts and Outlays

The Budget Neutral Receipts and Outlays column represents borrowings and other transactions involved in financing a deficit; this also includes debt repayment, the change in cash balances, and certain other transactions involved in using a surplus. The largest activity consists of financing, loan transactions and deposit fund.

Accrued interest on federal debt held by the public is recorded as a budget outlay as it accrues, not when it is paid. The cash payment to satisfy the liability for previously accrued interest is not included in the budget. It is reflected in the Budget Neutral Receipts and Outlays column of LFBWT.

From the budgetary perspective, monies received or paid by deposit funds are not Government owned and considered a means of financing. They are not budget receipts or budget outlays and are included in the Budget Neutral Receipts and Outlays column of LFBWT.

Prior Period Transactions

The Prior Period Transactions column captures transactions entered in the current fiscal year, but posted to a prior fiscal year general ledger accounting period. A

monthly process identifies these “back-dated” transactions and moves them to the current accounting period for inclusion in current year reporting.

Note 10. Liability for Non-Federal Funds

The General Fund receives all cash related transactions from the central accounting and reporting system; however, the transaction level detail passed to the General Fund does not include the fiduciary Treasury Account Symbol (TAS) attribute. The General Fund reclassifies the Fiduciary LFBWT from a federal trading partner to a non-federal trading partner on a monthly basis using a fiduciary TAS report from the central accounting and reporting system. At fiscal year end, the amounts for each fiduciary TAS are reviewed to ensure all Fiduciary LFBWT activity was properly reclassified throughout the year.

As of September 30, 2018, Fiduciary LFBWT consisted of the following:

Note 11. Schedule of Changes in Cash Balance from Budget and Other Activities

The Cash Schedule show the adjustments for non-cash outlays included in the budget, and items affecting the cash balance not included in the budget, to explain the change in cash and other monetary assets. These adjustments are listed below.

Adjustments for Non-Cash Outlays included in the Budget

Non-cash flow amounts in the budget related to federal debt securities Accrued interest, Net amortization, and Other

Debt is the largest legally and contractually binding obligation of the Government and accrued interest on federal debt securities is a key metric for financial management decisions. The timing for recording outlays for interest payments varies. Treasury records outlays for the interest on the federal debt securities as the interest accrues, not when it disburses cash. Treasury records outlays for the amortization on the federal debt securities as the original issue discount or premium is amortized over the life of the security, not when the security is issued or redeemed. These numbers will not match the Schedules of Federal Debt in its entirety. GAS securities held by the public are recorded in the budget differently than on the Schedules of Federal Debt. The Budget records GAS securities on a cash basis regardless if they are held by federal entities or by the public. Inflation Compensation, Savings Bond Adjustments and Restitution (items reported on the Schedules of Federal Debt) are not reported in the Budget.

Non-cash flow amounts in the budget related to guaranteed and direct loan financing activity

Interest revenue on uninvested funds and Interest expense on agency borrowings

Uninvested funds in the financing account consist of FBWT from borrowings and/or offsetting collections that have not been disbursed. Because agencies earn and pay interest on the fund balance at the same interest rate, there is zero net effect for borrowing early and on an estimated basis. Agencies must not net the interest earned on uninvested funds against interest expense at year-end. Agencies must report the interest revenue and expense separately.

Agencies year-end credit reform subsidy reestimates and Subsidy expense (income)

The Federal Credit Reform Act of 1990 (FCRA) requires agencies to estimate the cost to the government of extending or guaranteeing credit. This cost, referred to as subsidy cost, equals the net present value of estimated cash flows from the government (e.g., loan disbursements and claim payments to lenders) minus estimated cash flows to the government (e.g., loan repayments, interest payments, fees, and recoveries on defaulted loans) over the life of the loan, excluding administrative costs. Discount rates that reflect the federal government's cost of financing are used to determine the net present value of estimated cash flows. Agencies generally update—or reestimate—subsidy costs annually to reflect both actual loan performance and changes in expected future loan performance.

Cash Flow from Non-Budget Activities

Cash flow from non-budget activities related to federal debt securities

Interest Paid

The timing for recording outlays for interest payments varies. Treasury records outlays for the interest on the federal debt securities as the interest accrues, not when it disburses cash. This line item represents the cash payments made to satisfy the liability for the interest on Treasury securities held by the public that was previously accrued. The ending cash balance has changed because of the interest payment, but the activity is not included in the budget. As a result, the cash payment for the interest paid is part of cash flow from activities not included in the budget.

Cash flow from non-budget activities related to guaranteed and direct loan financing activity

Loan disbursements/default payments, Fees, Principal and Interest Repayments, Other collections on defaulted loans receivable and sale of foreclosed property, & Miscellaneous Asset/Liability Activity not impacting Loan Receivables or Loan Guarantee Liability

Some Government programs provide assistance through direct loans or loan guarantees. A direct loan is a disbursement of funds by the Government to a non-federal borrower under a contract that requires repayment of such funds with or without interest and includes economically equivalent transactions, such as the sale of federal assets on credit terms. A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-federal borrower to a non-federal lender.

Under FCRA, the actual cash flows to and from the public associated with direct loans and loan guarantees (e.g., loan disbursements, collection of principal, interest and fees, and default payments on guarantees) are recorded in the credit programs' non-budgetary financing accounts. Credit financing accounts are excluded from the budget because they are not allocations of resources by the Government. However, even though they do not affect the surplus or deficit, they can either increase or decrease the Government's need to borrow.

Cash flow from financing federal debt securities

Borrowings, Repayments, and Discount/Premium

The budget treats borrowings and debt repayments as a means of financing, not as receipts and outlays. This rule applies both to borrowing in the form of federal debt securities and to specialized borrowing in the form of agency securities. The borrowings and debt repayments amounts include an adjustment for the original issue discount and premium. Debt securities may be sold at a discount or premium and this amount is taken into account in the reporting of these amounts since it affects the ending cash balance.

Other

Items such as Allocations of Special Drawings Rights, Miscellaneous Liability Accounts, Loans to the International Monetary Fund, Other Cash and Monetary Assets, Non-Federal Securities of the National Railroad Retirement Investment Trust, Miscellaneous Asset Accounts, Transactions not applied to current year's surplus or deficit, Deposit fund liability balances, Intragovernmental Holdings related to deposit funds and Agency securities are included in the Other Line. These items can also be found in the Monthly Treasury Statement – Table 6. Means of Financing the Deficit or Disposition of Surplus by the U.S. Government because the budget treats borrowings and debt repayments as a means of financing, not as receipts and outlays. Other Unassigned Cash and Prior Year Receipts and Outlays Activities are also included in the Other line.

Agency Comment Letter

Accessible Text for Appendix II Comments from the Bureau of the Fiscal Service

May 1, 2019

Ms. Beryl H. Davis

Director, Financial Management and Assurance

U.S. Government Accountability Office

441 G Street, NW

Washington, DC 20548

Dear Ms. Davis:

Thank you for the opportunity to comment on the Government Accountability Office's (GAO) audit report on the Fiscal Year (FY) 2018 audit of the Schedules of the General Fund of the U.S. Government (Schedules), managed by the Bureau of the Fiscal Service (Fiscal Service).

While we concur with the results of the audit, it is important to note that the Fiscal Service maintains controls to confirm the integrity of the government's cash flow. This is validated each day when the daily cash position is balanced via the Treasury Cash Integrated Reconciliation Process. Federal entities also have daily access to their payment activities and can verify whether the General Fund's payment amounts match their own records, another control over the government's cash flow.

We recognized there would be hurdles inherent with a first-year audit of this magnitude and understand the value of the audit results toward achieving future progress and improvements. We appreciate GAO's perspective and look forward to the opportunity to implement corrective actions to overcome the barriers to auditability of the Schedules. The Fiscal Service has expended substantial effort in the past several years to not only establish the General Fund of the U.S. Government (General Fund) as a reporting entity, but to develop the unique accounting scenarios and complex operational processes to support the financial reporting in the Schedules; all of which was done while maintaining mission critical functions that serve the entire federal government.

GAO's dedication and effort throughout the inaugural audit of the Schedules is certainly appreciated. We look forward to sustaining a productive and successful relationship with your staff in the coming year, as we prepare for the FY 2020 audit.

Sincerely,

Kimberly A. McCoy

Commissioner

Bureau of the Fiscal Service

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