

**SUBCOMMITTEE ON HEALTH, EMPLOYMENT, LABOR & PENSIONS**  
**HEARING ON “*INVESTIGATING FINANCIAL MISMANAGEMENT AT THE U.S. DEPARTMENT OF  
LABOR*”**

JUNE 2, 2011

**Excerpts from the Financial Report of the United States Government (Report)<sup>1</sup>**

Report Compiled on December 21, 2010

Pages 1-2: Appendix B: Auditor’s list of Material Weaknesses Reported by Agency

Page 3: Appendix F: Table Showing Agency Compliance with FFMIA as Determined by Agency  
Head and Independent Auditor

---

<sup>1</sup> [http://www.fms.treas.gov/finrep/fr\\_index\\_new.html#Appendixes](http://www.fms.treas.gov/finrep/fr_index_new.html#Appendixes)

## Appendix B: Material Weaknesses Reported by Auditors and Federal Managers' Financial Integrity Act (FMFIA) Tables

OMB audit guidance requires auditors to disclose material weaknesses in internal control over financial reporting. The FMFIA and OMB guidance require the head of each executive agency to annually report whether there is reasonable assurance that the agency's controls are achieving the intended objectives and whether the agency's financial management systems conform to governmentwide requirements.

Agency heads are required to identify material weaknesses related to agency programs and operations (pursuant to Section 2 of FMFIA) and non-conformances with governmentwide financial systems requirements (pursuant to Section 4 of FMFIA). Reporting material weaknesses under FMFIA is not limited to weaknesses over financial reporting.

The following tables include: the number of material weaknesses reported by independent auditors, the number of material weaknesses reported by agency heads under Section 2 of FMFIA, and the number of financial system non-conformances reported by agency heads under Section 4 of FMFIA. The number of material weaknesses may differ from those identified by independent auditors and those identified by agency heads. This difference is primarily due to the more in-depth review that management is required to perform on its internal control environment over financial reporting, per OMB Circular A-123, which may result in more material weaknesses being identified.

### Table Definitions:

- **Beginning**—the number of material weaknesses (beginning balance) reported in the Independent Auditor's Report or FMFIA Report for the prior fiscal year.
- **New**—the number of new material weaknesses reported in the Independent Auditor's Report or FMFIA Report for the current fiscal year which could include reportable conditions/significant deficiencies reported from the prior fiscal year whose severity has risen to the level of a material weakness.
- **Resolved**—the number of material weaknesses reported in the Independent Auditor's Report or FMFIA Report for the current fiscal year that were reported as resolved or whose severity has been reduced so that it is no longer a material weakness.
- **Consolidated**—the number of material weaknesses reported in the Independent Auditor's Report or FMFIA Report that were combined with other repeat material weaknesses from a prior fiscal year or with a new material weakness from the current fiscal year.
- **Ending**—the number of material weaknesses (ending balance) reported in the Independent Auditor's Report or FMFIA Report for the current fiscal year. The number is calculated by adding the number of new material weaknesses reported from the current fiscal year to the number of material weaknesses reported the prior fiscal year and then subtracting the number of weaknesses resolved and consolidated weaknesses during the current fiscal year.

<b>Fiscal Year 2010: Auditor-Identified Material Weaknesses</b>					
	<b>Beginning</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending</b>
Agriculture .....	2	0	0	0	2
Commerce .....	0	0	0	0	0
Defense .....	13	0	0	0	13
Education .....	0	0	0	0	0
Energy .....	0	0	0	0	0
HHS .....	2	0	0	0	2
Homeland .....	6	0	0	0	6
HUD .....	0	0	0	0	0
Interior .....	0	0	0	0	0
Justice .....	0	0	0	0	0
Labor .....	0	4	0	0	4
State .....	3	0	3	0	0
DOT .....	0	0	0	0	0
Treasury .....	2	0	1	0	1
VA .....	4	0	3	0	1
AID .....	1	0	0	0	1
EPA .....	3	0	3	0	0
GSA .....	0	0	0	0	0
NASA .....	1	0	1	0	0
NSF .....	0	0	0	0	0
NRC .....	0	0	0	0	0
OPM .....	0	1	0	0	1
SBA .....	1	0	1	0	0
SSA .....	0	0	0	0	0
<b>Total .....</b>	<b>38</b>	<b>5</b>	<b>12</b>	<b>0</b>	<b>31</b>

## Appendix F: Compliance with the Federal Financial Management Improvement Act of 1996

Under the FFMIA, the 24 CFO Act agencies listed below are required to maintain financial management systems that substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. FFMIA provides that both the agency head and the independent auditor publish a determination of compliance on an annual basis.

The table below indicates the fiscal year 2010 compliance findings for each CFO Act agency.

	Agency Head	Auditor
Agriculture .....	No	No
Commerce .....	Yes	Yes
Defense .....	No	No
Education .....	Yes	No
Energy .....	Yes	Yes
HHS .....	No	No
Homeland .....	No	No
HUD .....	Yes	No
Interior .....	Yes	Yes
Justice .....	Yes	Yes
Labor .....	No	No
State .....	Yes	No
DOT .....	Yes	Yes
Treasury .....	No	No
VA .....	No	No
AID .....	Yes	Yes
EPA .....	Yes	Yes
GSA .....	Yes	Yes
NASA .....	Yes	Yes
NSF .....	Yes	Yes
NRC .....	Yes	Yes
OPM .....	Yes	Yes
SBA .....	Yes	Yes
SSA .....	Yes	Yes