

Office of Inspector General

Audit Report

Audit of SBA's FY 1996 Financial Statements

Report No. 7-6-H-006-010

February 28, 1997

Summary

SBA Earns Unqualified Opinion on FY 1996 Financial Statements

For the first time in 6 years of audits under the Chief Financial Officers Act, the Small Business Administration financial statements for FY 1996 received an unqualified opinion. The unqualified opinion means that the independent auditors, Cotton & Company (Cotton), found the Agency's principal financial statements to be presented fairly in all material respects in accordance with Office of Management and Budget guidelines and SBA accounting policies.

Cotton found that SBA had made progress on the two problems that caused the 1995 opinion to be qualified: (1) reconciliation of fund balances with Treasury and (2) inventory of foreclosed properties. These two problems were still identified as "reportable conditions" in the internal control structure, and the cash reconciliation was still classified as a material control weakness.

Four other internal control weaknesses were reported: (1) inconsistent valuation of foreclosed property, (2) lack of annual re-estimates of credit reform subsidy rates for disaster loans, (3) computer user password security procedures, and (4) year-end cut-off procedures.

In the section on compliance with laws and regulations, the auditors found SBA complied in all material respects with provisions of applicable laws and regulations tested.

The results of the audit were transmitted to the Chief Financial Officer by the Office of Inspector General, which contracts with Cotton & Company.

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