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**Independent Accountant's Report on the Application of Agreed-Upon Procedures  
for Federal Intragovernmental Activity and Balances  
AUD/FM-07-09**

To: Chief Financial Officer, Financial Management Services, Government Accountability Office

We have performed the procedures described in the attachment, which were based on the procedures stated in the U.S. Department of the Treasury's *Treasury Financial Manual*, Volume 1, Part 2, Chapter 4700, solely to support the process of eliminating FY 2006 intragovernmental activity/balances. Department of State (Department) management is responsible for the proper accounting, presentation, and reporting of its intragovernmental activity and balances.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of Financial Management Services (FMS) and the Government Accountability Office (GAO). Consequently, we make no representations regarding the sufficiency of the procedures described in Attachment I either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our associated findings are presented in Attachment I.

We were not engaged to, and did not perform, an audit of the matters addressed herein, the objective of which would be the expression of an opinion on such information. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Department, FMS, and GAO and is not intended to be, and should not be, used by anyone other than these specified parties.

  
Leonard G. Birnbaum and Company, LLP  
Alexandria, Virginia

January 16, 2007

## FY 2006 Agreed-Upon Procedures Report for Federal Intragovernmental Activities and Balances

Agency Name	Department of State
2-Digit Agency Code	19

<p><b><u>Procedure 1</u></b></p> <p>Obtain the agency's policies and procedures that describe the agency's activities to record, process, summarize, reconcile and report intragovernmental activity/balances by trading partner. Determine if the items identified in the Chief Financial Officer-provided reconciliation schedule were properly recorded at yearend in accordance with the agency's policies and procedures.</p>	<p>No discrepancies noted.</p>
<p><b><u>Procedure 2</u></b></p> <p>In the event of nonreporting by trading partners, report those differences and indicate that the difference is due to nonreporting by the trading partner. Cooperation between Inspector General offices of the trading partners is encouraged. Review items related to the balances identified by FMS in Step 1 of the Chief Financial Officer procedures recorded after yearend to determine if they were recorded in the proper year.</p>	<p>The material difference of \$1,239,493,000 reported between the Department and the Department of Defense (DOD) is due to non-reporting by DOD. The Department confirmed the amount reported. DOD reported that it is limited in its ability to track trading partner (TP) information because of a legacy system. DOD utilized estimates to report its TP information.</p>
<p><b><u>Procedure 3</u></b></p> <p>Identify and include copies of audit findings related to the transactions identified in Procedures 1 and 2, such as reasons for disclaimer and/or qualification, material weaknesses, reportable conditions, noncompliance with laws and regulations, and items cited in the management letter. Also identify and report auditor-proposed intragovernmental adjustments that were waived by the agency to these transactions.</p>	<p>No discrepancies noted.</p>