



Audit Report



OIG-21-023

FINANCIAL MANAGEMENT

Management Letter for the Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2020 and 2019

February 12, 2021

Office of Inspector General
Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 12, 2021

**MEMORANDUM FOR LEONARD R. OLIJAR, DIRECTOR
BUREAU OF ENGRAVING AND PRINTING**

FROM: James Hodge /s/
Director, Financial Audit

SUBJECT: Management Letter for the Audit of the Bureau of Engraving
and Printing's Financial Statements for Fiscal Years 2020 and
2019

We hereby transmit the attached subject management letter. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Bureau of Engraving and Printing as of September 30, 2020 and 2019, and for the years then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

As part of its audit, KPMG issued the attached management letter dated February 12, 2021, that discusses matters involving deficiencies in internal control over financial reporting that were identified during the audit. These matters relate to the following areas:

- journal entries;
- financial reporting;
- property, plant, and equipment; and
- inventory.

In connection with the contract, we reviewed KPMG's management letter and related documentation and inquired of its representatives. KPMG is responsible for the letter and the conclusions expressed in the letter. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

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If you wish to discuss this report, please contact me at (202) 927-0009, or a member of your staff may contact Shiela Michel, Manager, Financial Audit, at (202) 927-5407.

Attachment



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

February 12, 2021

The Acting Inspector General, U.S. Department of the Treasury
The Director of the Bureau of Engraving and Printing, U.S. Department of the Treasury

We have audited the financial statements of the Bureau of Engraving and Printing (BEP or the Bureau), for the year ended September 30, 2020, and have issued our report thereon dated February 12, 2021. In planning and performing our audit of the financial statements of (the Bureau), in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. In conjunction with our audit of the financial statements, we also performed an audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

During our audit we noted certain matters related to internal control and other operational matters that are presented for your consideration in Exhibit B. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are not considered to reflect significant deficiencies, or material weaknesses in internal control over financial reporting. All deficiencies, and the significant deficiency, in internal control over financial reporting have been previously communicated to management and/or the audit committee (or other governing body), as applicable.

Our audit procedures are designed primarily to enable us to form opinion(s) on the financial statements and on the effectiveness of internal control over financial reporting and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Bureau's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This communication is intended solely for the information and use of management, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. The Bureau's responses to the deficiencies identified in our audit are outlined in Exhibit B. The Bureau's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

The purpose of this letter is solely to describe comments and recommendations intended to improve internal control or result in other operating efficiencies. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

KPMG LLP

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Exhibit A – Table of Contents and Index

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[Sequential by Notification of Findings and Recommendations (NFR) number]

NFR No.	Description	Page No.
01	Timely Removal of LAN WAN Inactive Accounts	The information from this NFR was included in the auditors' report.
02	Oracle User Access Recertification Were Not Completed	The information from this NFR was included in the auditors' report.
03	Timely Remediation of Known Issues	The information from this NFR was included in the auditors' report.
04	Inadequate Policies and Procedures over Account Reconciliations	B.2
05	Incomplete Journal Entry Log	B.1
06	Ineffective Technical Topics Review	B.1
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A. Journal Entries

A.1 Incomplete Journal Entry Log

The reconciliation of the manual Journal Entry Log to Manufacturing Systems Suite (MSS) was not operating effectively. Specifically, journal entries “Reverse JV53” and “JV53a” were not included in the March Journal Entry log but were posted in MSS during March.

Recommendation

We recommend that BEP management provide additional training on policies and procedures related to the journal entry log.

A.2 Incomplete Journal Entry Population

Controls to review the adequacy of journal entry approvals are not appropriately designed to include all journal entries. Specifically, management does not assess the completeness of the population used in the review.

Recommendation

We recommend that BEP management improve existing controls to ensure the population of journal entries reviewed is complete and accurate.

A.3 Ineffective Review of Journal Entries

Controls over the review of journal entries did not operate effectively. Specifically, the review of the non-stock journal entry did not identify that the adjustment prepared did not agree to the supporting documentation.

Recommendation

We recommend BEP management provide additional training to the control owners related to their responsibility to properly record and review journal entries.

A.4 Management’s Response

NFR No.	Description	Management’s Response
05	Incomplete Journal Entry Log	Concur
07	Incomplete Journal Entry Population	Concur
11	Ineffective Review of Journal Entries	Concur

B. Financial Reporting

B.1 Ineffective Technical Topics Review

Management did not adequately document its assessment of the impact of revisions to OMB Circular A-11, “Preparation, Submission and Execution of the Budget” and as a result was unable to provide evidence or documentation of its assessment in a timely manner.

Recommendation

We recommend that BEP management ensure that procedures are adequately detailed and communicated to staff, and to provide additional training to personnel to ensure key procedures are effectively performed.

B.2 Ineffective Review of the Financial Reporting Fluctuation Analysis

Controls over the monthly financial reporting fluctuations review did not operate effectively. Specifically, the percent of change was not correctly calculated for all financial statement captions.

Recommendation

We recommend BEP management update existing procedures and related practices to address the calculation of change as a percentage. In addition, management should provide additional training to the control owners of the financial reporting fluctuation.

B.3 Ineffective Review of Non-GAAP Policies

Controls over the identification and review of Non-Generally Accepted Accounting Principles (GAAP) policies did not operate effectively. Specifically, management did not identify a Non-GAAP policy with Financial Accounting Standards Board codification 330-10-30-12 for the recording of inventory.

In addition, controls over the disclosure of possible legal damages did not operate effectively. Specifically, the disclosure for claims with an outcome that is “less than probable but more than remote”, was misstated by \$1,100,000.

Recommendation

We recommend BEP management perform the following:

- update procedures and related practices to include a review of current policies for GAAP compliance, and;
- provide additional training to the control owners of the identification and review of non-GAAP policies and required disclosures.

B.4 Policies and Procedures over Account Reconciliations

Monthly account reconciliations were not performed in a consistent manner for cash, accounts receivable and accounts payable. Specifically, these reconciliations used the same template, but did not use consistent information (i.e. in the current balance some reconciliations used the ending amount for the period, while others used the beginning amount for the period).

Recommendation

We recommend that BEP management update procedures for account reconciliations and use consistent information to perform account reconciliations.

B.5 Management’s Response

NFR No.	Description	Management’s Response
04	Inadequate Policies and Procedures over Account Reconciliations	Concur
06	Ineffective Technical Topics Review	Concur
08	Ineffective Review of the Financial Reporting Fluctuation Analysis	Concur
10	Ineffective Review of Non-GAAP Policies	Concur

C. Property, Plant and Equipment

C.1 Untimely Recording of Assets Placed in Service

Controls over the review of inactive construction in progress (CIP) were not operating effectively. Specifically, BEP did not transfer completed costs for four capital projects from CIP to fixed assets timely.

Recommendation

We recommend BEP management train project managers to better assess the capital project status and provide this information to the office of financial management in a timely manner.

C.2 Management’s Response

NFR No.	Description	Management’s Response
12	Untimely Recording of Assets Places in Service	Concur

D. Inventory

D.1 Ineffective Purchase Price Variance Control

The control over the review of the Purchase Price Variance (PPV) is not designed at an appropriate level of precision. Specifically, the supervisor is required to review a random sample of PPV variances, but the sample size to be reviewed is not defined and the samples selected for review are not documented within the testing worksheet.

Recommendation

We recommend BEP management update its existing practices and related procedures to specify the number of variances requiring update to be reviewed. In addition, variances selected for review should be identified in the performance of the control.

D.2 Management’s Response

NFR No.	Description	Management’s Response
09	Ineffective Purchase Price Variance Updates	Concur

Exhibit C – List of Criteria

List of Criteria

We used the following sources as criteria for the findings described within this document:

- Committee of Sponsoring Organizations of the Treadway Commission Integrated Framework
- United States Government Accountability Office, Standards for Internal Control in the Federal Government
- Code of Federal Regulations
- OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control
- 5 U.S.C.
- Bureau of Engraving and Printing Financial Manual
- Bureau of Engraving and Printing Compliance Manual
- Bureau of Engraving and Printing Narratives

Exhibit D – Status of Prior Year Findings

Status of Prior Year Findings

Fiscal Year 2019 Management Letter Comments		Fiscal Year 2020 Status
NFR No.	NFR Name	
BEP-2019-01	Ineffective Controls Over Cash Balance Reconciliation	Closed
BEP-2019-02	Controls over the Monthly Financial Reporting Fluctuation Review Should be Strengthened	Closed
BEP-2019-03	Deficiencies noted in OGE-450 and OGE-278 Filing Requirements	Closed
BEP-2019-04	Ineffective Controls Over Spare and Repair Parts Count	Closed
BEP-2019-05	Controls over the Review of the Department of Labor Chargeback Report Need Strengthened	Closed
BEP-2019-06	Ineffective Controls over Journal Entry Segregation of Duties	Closed
BEP-2019-07	Oracle General Ledger Code Validation Check was Circumvented	Closed
BEP-2019-08	No Review of External Information System Services Compliance Was Conducted	Closed
BEP-2019-09	Timely Removal of LANWAN Inactive Accounts Needs Improvement	Closed
BEP-2019-10	NFC User Account Management Activities for Need Improvement	Closed
BEP-2019-11	Quarterly Oracle Segregation of Duties Conflict Review Needs Improvement	Closed
BEP-2019-12	Oracle, webTA and NFC User Access Recertification Was Not Completed	Closed
BEP-2019-13	Ineffective Controls Over Fixed Assets Inventory	Closed
BEP-2019-14	JV Review and Approval Needs Strengthened	Reissued, 2020-11
BEP-2019-15	Capital Project Status Review Control Needs Strengthened	Reissued, 2020-12
BEP-2019-16	Ineffective Controls Over The Completeness of Journal Vouchers	Reissued, 2020-05
BEP-2019-17	Ineffective Review of Technical Topics	Reissued, 2020-06
BEP-2019-18	Control Deficiencies over the Receipt of Goods	Closed
BEP-2019-19	Inadequate Controls over Account Reconciliations	Reissued, 2020-04
BEP-2019-20	Controls Over Timecard Certification Needs Strengthened	Closed
BEP-2019-21	SSAE 18 Review Finding	Reissued, 2020-03
BEP-2019-22	Controls Over Personnel Action Review Needs Strengthened	Closed