



U.S. GOVERNMENT PUBLISHING OFFICE  
OFFICE OF INSPECTOR GENERAL

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**MANAGEMENT LETTER  
REPORT NUMBER 16-04**

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**Management Letter  
FY 2015 Financial Statements**

**January 22, 2016**

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**Date**

January 22, 2016

**To**

Director, U.S. Government Publishing Office

**From**

Inspector General

**Subject**

Management Letter—FY 2015 Financial Statements  
Report Number 16-04

In connection with the audit of the U.S. Government Publishing Office's FY 2015 financial statements, the Office of Inspector General (OIG) is providing the attached letter to describe comments and recommendations intended to improve internal controls or other operating efficiencies associated with financial accounting. The findings and recommendations are detailed in the attached management letter.

We appreciate the courtesies extended to our audit staff. If you have any questions or comments about this report, please do not hesitate to contact me at (202) 512-0039.

A handwritten signature in black ink that reads 'Michael A. Raponi'.

MICHAEL A. RAPONI  
Inspector General

**Attachment**

**cc:**

Deputy Director, U.S. Government Publishing Office  
General Counsel  
Chief of Staff  
Chief Financial Officer



**UNITED STATES GOVERNMENT PUBLISHING  
OFFICE**

**MANAGEMENT LETTER  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**United States Government Publishing Office**

**Management Letter**

**For the Year Ended September 30, 2015**

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

December 23, 2015

Director  
United States Government Publishing Office

Office of the Inspector General  
United States Government Publishing Office:

In planning and performing our audit of the consolidated financial statements of the United States Government Publishing Office (GPO), as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards*, issued by the Comptroller of the General of the United States, we considered GPO's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of GPO's internal control. Accordingly, we do not express an opinion on the effectiveness of GPO's internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. 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 summarized in Appendix A to this report. Appendix B presents the status of prior year findings. Comments involving internal control and other operational matters pertaining to the audit procedures performed over GPO's general and application controls over information technology systems that support the consolidated financial statements were communicated to you in a separate letter dated December 23, 2015.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of GPO'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.

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**

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.

Comments and Recommendations

*A. Untimely Recording of Fixed Assets Disposals and Lack of Adequate Supporting Documentation*

During our testwork over capital asset disposals we noted that GPO needs to strengthen their internal controls over the timely removal of capital assets from the financial records. Specifically we noted the following:

- During our testwork over capital asset disposals totaling \$2,043,242 as of June 30, 2015, we noted that eight assets were physically retired from service in FY 2014; however, they were not removed from the financial records until FY 2015.
- During our testwork over capital asset disposals totaling \$8,444,473 as of September 30, 2015, we noted that two IT assets (book value of \$713,334) were removed from the financial records in FY 2015; however no documentation was provided to support that these IT assets were physical retired from service.

There are inconsistent policies regarding when an asset can be removed from GPO's financial records and a conflicting understanding of the appropriate time to record asset disposals. There is also a delay in the process owner receiving the Return to Stores Forms timely from the Materials Management group responsible for approving the disposal method of retired assets. In addition, the Office of Information Technology does not follow the Office of Finance and Administration's policies surrounding disposals and does not have their own internal policy. Thus, there is a lack of communication and supporting documentation that is provided to both the process owner and finance when an asset is ready to be disposed of.

Without proper controls in place to ensure that retired assets are removed from the financial records timely and proper documentation is maintained and communicated timely, capital assets and accumulated depreciation may be misstated. As these assets were fully depreciated as of September 30, 2015, it had no impact on the consolidated financial statements.

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states:

- Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements or budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.

*Appendix A*

- Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes.

We recommend that GPO develops and implement policies and procedures to ensure that:

1. Disposed assets are timely and accurately removed from the general ledger.
2. Fully depreciated items are appropriately reviewed and evaluated for removal from the general ledger.
3. Proper documentation is maintained for all disposals to validate that the asset has been retired as well as the means in which it was disposed of.

***B. Lack of Contract Review Board Approval***

During our FY 2015 testwork over Contract Review Board (CRB) Actions, we noted that for 2 out of 51 procurement samples tested, the purchase orders in the amount of \$988,970 were not reviewed and approved by the CRB. The Contracting Office did not submit the procurement documents to the CRB prior to execution of the purchase order.

Without adhering to GPO's procurement policy, there is an increased risk that procurement of paper, materials, and supplies could occur without proper CRB approval.

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states:

- Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements or budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.
- Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes.

GPO Directive 110.15C, states that under the following conditions approval is required by the CRB:

- A. Prior to Award

*Appendix A*

- Proposed award over \$100,000 in total value or an award involving Personally Identifiable Information (PII) or other sensitive information, regardless of total dollar value.
- Proposed cancellation of a solicitation, after bid opening or closing date for receipt of proposals, and subsequent contemplated solicitation. [A solicitation may be re-solicited without CRB review when no bids or proposals have been received at time of opening or closing or when all bids under an invitation for bids (IFB) are nonresponsive.]

B. Post Award

- Proposed termination of a contract for default over \$25,000.
- Proposed termination of a contract (purchase order or print order) for the convenience of the Government when re-solicitation of the same, unchanged, product is required.
- Proposed settlement of a terminated contract (purchase order or print order), except one terminated for convenience when the settlement is less than \$25,000.
- Proposed modification of a contract (purchase order or print order) involving an increase or decrease of \$100,000 or more.

We recommend that GPO management strengthen internal controls over the CRB review to ensure that all procurements (new or modified) over \$100,000 are reviewed and approved by the CRB before execution.

*C. Inadequate Controls Over Financial Reporting*

Based on our testwork over financial reporting, we noted improvements in the monthly account reconciliations process. However, we continue to note that monthly account reconciliations performed by accounting and finance staff over certain process areas were not reviewed timely by a supervisor, or were not reviewed at an appropriate precision level. Specifically, we noted the following:

- For the annual allowance for doubtful accounts calculation as of September 30, 2015, the FY 2015 "4 Bucket Report" used by GPO did not agree to the general ledger account balance for accounts receivable and this difference was not investigated by the process owner or management. Upon review of the "4 Bucket Report," we noted that the population used incorrectly included items, such as IPAC chargebacks and commercial accounts receivable that should have been removed. This resulted in an overstatement of the allowance for doubtful accounts by approximately \$782,000.
- The lag factor accrual was not updated to reflect final prior year general ledger balances for purchased printing. This resulted in an understatement of accrued printing expenses balance as of September 30, 2015 by approximately \$355,000.

We noted GPO staff did not perform procedures over the reports used in the reconciliations to determine that it is complete and accurate.



## *Appendix A*

As a result of continued reorganization of duties in various departments, management reviews were not performed timely and to the precision level in which they are designed to be performed.

The lack of detailed review of the reconciliations resulted in the error noted above and also increases the risk that GPO's financial statements could be misstated.

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states:

- Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements or budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.
- Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes.

We recommend that GPO management continues to improve on the level of precision and timeframe for completing the account reconciliations and the evaluation of supporting schedules for completeness and accuracy.

### ***D. Inadequate Review of Personnel Action Forms***

During our testwork over new hires, we noted the following:

- For 1 of the 25 employees selected the Federal Employee General Life Insurance (FEGLI) election reflected on the Standard Form 52, *Request for Personnel Action (SF-52)*, did not agree to the election on the Standard Form 50, *Notification of Personnel Action (SF-50)*.
- For 2 of the 25 employees selected the payment plan reflected on the SF-52 did not agree to the payment plan reflected on the SF-50. In each of these instances even though SF-50 did not agree to the SF-52, the employee's rate of pay and FEGLI deduction were accurately being applied by the National Finance Center (NFC) for the pay period tested.

The review of the SF-52 is not adequate resulting in changes that need to be made before submitting to the NFC. In addition, the Government Publishing Office (GPO)'s policy allows Human Capital personnel to modify SF-52 data in EmPowerHR after the SF-52 is approved and prior to submission to the NFC without requiring an additional review which can lead to inaccurate data being maintained in the employee's personnel file or being submitted to NFC.

The lack of adequate controls over the review of the SF-52s and SF-50s, increases the risk that payroll expense and related benefits reported in GPO's consolidated financial statements could be misstated.

## *Appendix A*

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states:

- Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements or budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.
- Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes.

The Office of Personnel Management (OPM) *Guide to Processing Personnel Actions* states the following:

- The SF-52 is used by supervisors and managers to request position actions, employee actions, and actions involving both a position and an employee, such as the establishment and filling of a position. Employees may also use the form to notify the agency of their resignation or retirement, to request Leave without Pay (LWOP) and to request a name change. The personnel office uses the form to record staffing, classification, and other personnel determinations, and then uses the information on the form to prepare the SF-50.
- The SF-50 is the required form of employee notification for accessions, conversions, and separations, and for corrections and cancellations of those actions. The SF-50 is used to document and report all personnel actions except mass transfer and mass change actions, which may be reported by a listing of the employees impacted.
- Most personnel actions must be approved by the appointing officer on or before their effective dates. An appointing officer is an individual in whom the power of appointment is vested by law or to whom it has been legally delegated. Only an appointing officer may sign and date the certification in Part C-2 of the Standard Form 52 or block 50 and 49 of the Standard Form 50 to approve an action.

We recommend that GPO strengthen their internal controls in place over the review and approval of personnel actions by ensuring that the final version of the SF-52 is (1) reviewed and approved, (2) retained and included in the employee's eOPF, and (3) agrees to the related SF-50.

### *E. Misclassification of Inventory*

During our testwork over inventory held by others, we noted that internal controls over the recording and reviewing of transactions related to the inventory held by others need to be strengthened. Specifically, we noted the following:

*Appendix A*

- The Government Publishing Office (GPO) relied on the August 2015 Inventory report provided by the vendor when reconciling inventory per the general ledger to inventory on-hand per the vendor records. As a result, August 2015 shipments were not included in the reconciliation of inventory-on-hand as of September 30, 2015. This led to an understatement in the inventory account balance of \$93,148.

Review and analysis of inventory-on-hand was performed using outdated Inventory Reports, thus new projects were not identified and inventory shipments were excluded from the inventory balance as of September 30, 2015.

Inadequate internal controls over inventory held by others increases the risk that GPO's inventory balance is misstated as of fiscal year-end.

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states:

- Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements or budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.
- Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes.

We recommend that management develops and implements policies and procedures to ensure that inventory items held by others are appropriately identified and recorded as of fiscal year-end.

***F. Customers' Billing Process for Goods and Services Provided Needs Improvement***

During our testwork of 6 samples of unbilled accounts receivable balances as of September 30, 2015, we noted the following:

- Although the related project for one of the samples tested was completed during October 2014 and no further billings were anticipated, the project had a remaining unbilled accounts receivable balance as of September 30, 2015 in the amount of \$195,657.
- The related project for one of the samples tested was completed and closed in December 2014, however there is a remaining unbilled accounts receivable balance of \$31,154 as of September 30, 2015 that GPO will not be able to bill and will need to be written off.

There are inadequate policies and procedures in place to review and analyze unbilled accounts receivable throughout the year to ensure that GPO customers are billed in a timely manner for good and services provided and amounts that cannot be billed are timely written off.

*Appendix A*

Inadequate controls over customers' billing process increases the risk that GPO is not billing its customers for the full cost of goods and services provided and that amounts that cannot be billed are not timely written off, thus overstating accounts receivable..

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states:

- Management design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.
- Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements or budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.
- Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes.

We recommend that management strengthen their policies and procedures over the review of unbilled accounts receivable throughout the year to ensure that all jackets that have been final billed are properly adjusted prior to the fiscal year end.

*Appendix B*

**Status of Prior Years' Audit Findings**

FY 2014 Comment Number	FY Comment Originated	Title	FY 2015 Status of Comment Reported in FY 2014
14-NFR-01	2009	Processing of Personnel Actions	Open. See 15-NFR-07.
14-NFR-02	2012	Recording of Fixed Asset Disposals	Open. See 15-NFR-02.
14-NFR-03	2013	Management Review	Open. See 15-NFR-04.
14-NFR-04	2013	Authorization of Purchase Requisition	Closed.
14-NFR-05	2013	Accrued Annual Leave Estimate	Open. See 15-NFR-06.
14-NFR-06	2009	Annual Leave Discrepancies	Closed.
14-NFR-07	2013	Management Review of Advanced Billing	Closed.
14-NFR-08	2013	Unbilled Accounts Receivable	Open. See 15-NFR-09.