



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

**AUDIT REPORT
REPORT NUMBER 17-03**

**U.S. Government Publishing Office FY 2016
Independent Auditor's Report**

December 16, 2016



Date

December 16, 2016

To

Director, U.S. Government Publishing Office

From

Inspector General

Subject:

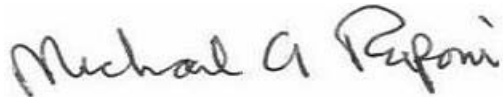
FY 2016 Independent Auditor's Report
Report Number 17-03

Attached is the Independent Auditor's Report on the U.S. Government Publishing Office's (GPO's) FY 2016 financial statements. We contracted with the independent certified public accounting firm of KPMG LLP (KPMG) to audit the financial statements of GPO as of and for the years ending September 30, 2016, and 2015. The contract required that the audit be conducted in accordance with generally accepted government auditing standards (GAGAS).

KPMG's opinion on GPO's financial statements was unmodified. KPMG's consideration of internal control, however, resulted in one significant deficiency related to controls over the certification and approval of employee timesheets. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. KPMG made recommendations to address this significant deficiency. GPO Management concurred with the recommendations and planned the necessary actions.

KPMG is responsible for the attached auditor's report and the conclusions expressed in the report. However, in connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review did not disclose any instances where KPMG did not comply, in all material respects, with GAGAS requirements.

We appreciate the courtesies extended to KPMG and to our audit staff. If you have any questions or comments about this report, please do not hesitate to contact Mr. Phillip M. Faller, Assistant Inspector General for Audits and Inspections at (202) 512-2009 or me at (202) 512-0039.

A handwritten signature in black ink that reads "Michael A. Raponi". The signature is written in a cursive, slightly slanted style.

MICHAEL A. RAPONI

Inspector General

Attachment

cc:

Deputy Director, GPO

General Counsel

Chief of Staff

Chief Administrative Officer

Chief Financial Officer



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Suite 12000
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Independent Auditors' Report

Director
United States Government Publishing Office

Office of the Inspector General
United States Government Publishing Office:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Government Publishing Office (GPO), which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of revenues, expenses, and changes in retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Government Publishing Office as of September 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the Management's Discussion and Analysis section, including references to information on websites or other forms of interactive data, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2016, we considered GPO's internal control over financial reporting (internal control) to determine the 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 the GPO's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Exhibit I that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the GPO's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



GPO's Response to Finding

The GPO's response to the finding identified in our audit is described in the accompanying Exhibit I. The GPO's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the GPO's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
December 15, 2016

Controls over Certification and Approval of Timesheets Should be Strengthened

During our test work over payroll, we noted that the operation of GPO's controls in place over the review and approval of employees' timesheets are not effective to ensure compliance with GPO's policies and procedures. Specifically we noted the following:

- For 2 out of 35 timesheets tested, the employee's Web Time and Attendance (WebTA) timesheet was not certified by a supervisor and was instead certified by an analyst who is not authorized to certify.
- For 2 out of 35 timesheets tested, the employee's timesheet included hours worked at the end of the pay period that were certified by the employees' supervisors before the employee worked the hours because the timesheets were certified prior to the end of the pay period.

The above issues occurred due to a lack of effective automated controls in WebTA that prevent non-supervisors from certifying timesheets or prevent supervisors from certifying timesheets before the end of the pay period.

Without proper review and approval of timesheets by appropriate supervisors and after all time is worked, there is an increased risk that hours reported in WebTA may not be accurate.

As a result of these audit findings and the overarching lack of automated controls, GPO management completed an independent review of all timesheets that were certified during fiscal year 2016. For those instances identified by GPO management during FY2016 where employees' timesheets were improperly certified by non-supervisors, GPO management required the appropriate supervisors to certify the employees' timesheets and confirm the accuracy of the hours worked and time off reported in the timesheets.

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states, "Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event."

GPO Directive 440.12A, *Web Time and Attendance* states:

"Time and attendance data will be certified by the employee's supervisor and transmitted via webTA to National Finance Center (NFC) for pay processing.

The certifying official must be a supervisor. If the supervisor is unavailable, certification must be delegated to another supervisor either up or down the chain of command. In the rare instance where no supervisor is available, a Master Timekeeper in Payroll has the authority to certify. However, if Payroll does the certification, the usual certifying official on his/her return to work will notify Payroll by e-mail that he/she has reviewed the timesheets for the applicable pay period(s) and they are accurate."

Recommendations:

We recommend that GPO management implement effective automated controls in WebTA to prevent non-supervisors from certifying timesheets and prevent supervisors from certifying timesheets before the end of the pay period.

Until the above automated controls are implemented, we recommend that GPO management continue performing the periodic review of employees' timesheets to ensure they are reviewed and approved timely and in accordance with GPO's policies and procedures.

Management Response:

Management concurs with the recommendation. Finance will continue to review for improper certifications until an automated solution is in place.