Audit Report

OIG-07-023
Management Letter for the Fiscal Year 2006 Audit of the United States Mint's Financial Statements

December 21, 2006

Office of Inspector General

DEPARTMENT OF THE TREASURY

This report has been reviewed for public dissemination by the Office of Counsel to the Inspector General. Information requiring protection from public dissemination has been redacted from this report in accordance with the Freedom of Information Act, 5 U.S.C. section 552.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 21, 2006

MEMORANDUM FOR EDMUND C. MOY, DIRECTOR
UNITED STATES MINT

FROM: Joel A. Grover
Deputy Assistant Inspector General
for Financial Management and Information
Technology Audits

SUBJECT: Management Letter for the Fiscal Year 2006 Audit of the United States Mint's Financial Statements

I am pleased to transmit the attached management letter in connection with the audit of the United States Mint's (Mint) Fiscal Year 2006 financial statements. Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent certified public accounting firm, performed an audit of the financial statements of the Mint as of September 30, 2006, and for the year then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*; and the *GAO/PCIE Financial Audit Manual*.

As part of its audit, KPMG LLP issued and is responsible for the accompanying management letter that discusses other matters involving internal control over financial reporting and its operation that were identified during the audit but were not required to be included in the audit reports.

In connection with the contract, we reviewed KPMG LLP's letter and related documentation and inquired of its representatives. Our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5400, or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789.

Attachment

THE UNITED STATES MINT

Management Letter

Fiscal Year 2006

THE UNITED STATES MINT

Fiscal Year 2006 Management Letter

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

December 8, 2006

Inspector General
United States Department of the Treasury
740 15th Street, NW, Suite 600
Washington, DC 20220

Director
The United States Mint
801 9th Street, NW
Washington, DC 20001

Ladies and Gentlemen:

We have audited the financial statements of the United States Mint (Mint) for the years ended September 30, 2006 and 2005, and have issued our report thereon dated December 8, 2006. In planning and performing our audits of the Mint's financial statements, we considered the Mint's internal control over financial reporting, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for expressing an opinion on the effectiveness of the Mint's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mint's internal control.

During our fiscal year 2006 audit of the Mint's financial statements, we noted one matter involving internal control over financial reporting and its operation that we considered to be a reportable condition under standards established by the American Institute of Certified Public Accountants. In our *Independent Auditors' Report on Internal Control*, dated December 8, 2006, we reported that we considered the finding related to the Mint's financial accounting and reporting controls to be a reportable condition, but that we did not consider this condition to be a material weakness.

Our audit procedures were designed primarily to enable us to form an opinion on the Mint's financial statements, and therefore, may not bring to light all weaknesses in policies or procedures that exist. However, we also take this opportunity to share our knowledge of the Mint, gained during our work, to make comments and suggestions that we hope can be useful to you.

Although not considered to be reportable conditions, we noted certain matters involving internal control and other operational matters, which are presented in Appendix A, for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the Mint's internal control or result in other operating efficiencies. We have not considered the Mint's internal control since the date of our report. The Mint's response to our comments and recommendations are presented in Appendix B. Appendix C presents the status of prior year management letter comments.

We appreciate the courteous and professional assistance that the Mint's personnel extended to us to complete our audit timely. 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 the Mint's management and others within the organization, and the United States Department of the Treasury's Office of Inspector General, the U.S. Government Accountability Office, Office of Management and Budget, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

THE UNITED STATES MINT

Fiscal Year 2006 Management Letter Comments

Inventory Management

A-1 Controls Over Tracking Die Steel Rods Should be Strengthened

The United States Mint (Mint) uses Die Steel Rods to create the press molds for pressing the coins. The Die Steel Rods are purchased in bulk and can take up to 2 years to utilize. During the 3rd Quarter Physical Inventory (QPI) at the Denver Mint, we noticed an inconsistency between the number of rods received by weight and piece count to the amount listed on the packing list.

We recommend that the Mint:

- Implement a process for recording the steel bar removed for testing, including serial number or unique identifier of the steel for future reference.
- Implement a process of weighing the steel bar removed from the warehouse once it is received at the Mint. Implement a tracking spreadsheet, which will be utilized to track the weight of the bar and update [REDACTED] for the removal of the steel bar from raw material to work-in-process. During the next visit to the warehouse update the packing list with the weight removed.
- Contact the Contracting Officer Technical Representative of the die steel contract to request that the contractor send more detailed packing lists, including number of bars per lot and serial numbers.

A-2 Physical Inventory Procedures at West Point Should be Strengthened

During our inventory observation test work at the West Point Mint, we noted that the Annual Physical Inventory (API) was not conducted for a full metal inventory count, as required in the Mint policy. A statistician developed a sampling methodology for this facility during May 2001 to select a sample of items for counting during the API. However, the methodology has not been included in the Mint-wide policies nor has it been subsequently reviewed or updated to ensure previous criteria are still applicable and sufficient to provide adequate coverage of the total inventory on hand as of the count date.

Further, we noted that there were inventory movements around the vault floor during the API; five shipments were made from West Point to either third party customers [REDACTED], and these shipments were not clearly segregated from items being inventoried nor adequately labeled.

We recommend that the Mint re-evaluate its policies and procedures and determine whether the API at the West Point Mint should be conducted for “full metal” counts or on a sample basis. If the Mint deems recounting physical inventory on a sample basis is sufficient, the sampling methodology should be reviewed on an annual basis for these facilities to take into account the inventory on hand at the date of the count to ensure that the samples selected for the physical inventory are adequate.

Further, management should ensure that items for shipment are clearly segregated from the inventoried items and adequately labeled to indicate that they are held for third parties.

A-3 Security at [REDACTED] Warehouse Should be Strengthened

During our inventory observation test work, we noted that the physical security in place at the [REDACTED] warehouse can be improved to ensure the proper safeguarding of the Mint’s assets.

We recommend that the Mint review its existing policies and procedures to ensure enforcement and compliance with the lease agreement by the warehouse storing the Mint's assets, and that all assets are adequately safeguarded.

A-4 Improvements Needed to Monitor Slow-Moving and Obsolete Inventory

During our Inventory Management test work, we identified a number of inventory items on hand totaling $1,620,465 that were slow moving, but were not classified as slow moving or obsolete during fiscal year 2006. We noted that these items were recorded at original cost and/or written down to the scrap value of the metal, although they should have been written off or have an allowance for impairment recorded against them as of September 30, 2006.

We recommend that the Mint strengthen its inventory management policies to ensure the continuous monitoring and tracking of slow moving or obsolete inventory. The Mint should develop an aging analysis, and designate a senior official in the Office of Corporate Accounting (OCA) to perform a detail review of all inventory listings on a monthly basis to ensure that the production facilities are properly identifying the slow moving items. Further, an allowance methodology should be developed by OCA, to ensure that the appropriate entries are recorded for impairment, if required, on a timely basis.

A-5 Procedures Should be Enhanced to Observe Physical Inventory [REDACTED]

The Mint maintain finished goods inventory at a third party warehouse, [REDACTED] and an annual inventory is performed [REDACTED] in accordance standard inventory count procedures as agreed upon between the Mint [REDACTED].

During our inventory observation at [REDACTED], we noted that the Mint personnel did not observe the first day of the physical inventory, and does not have a defined sampling plan to perform test counts of inventory held [REDACTED]. We noted that reliance is placed on the [REDACTED] count team performing recounts to reconcile variances noted, and test counts were only performed by the Mint team for major variances that were still identified after several recounts.

The Mint's inventory procedures should be enhanced to require Mint personnel to be on hand during the entire physical inventory count [REDACTED] as well as require them to perform documented test counts or recounts. Further, the Mint employees should select a statistical sample of inventory on hand and perform recounts along with the [REDACTED] count team throughout the physical inventory.

A-6 Quarterly Physical Inventory Procedures Should be Strengthened

During our inventory observation test work, we noted that the Mint-wide Standard Operating Procedures (SOP) for the QPI provides the manufacturing facilities the authority to develop their own procedures for performing the QPI, resulting in variation between the facilities. We noted that some of the Mint-wide QPI procedures were not performed in accordance with specific instructions in the SOP at the Philadelphia Mint as follows:

- The physical inventory count was performed by the personnel on the plant floor who work with the inventory on a day to day basis, and no independent Mint personnel were in attendance to observe and corroborate the results of the QPI.

- After the inventory was counted and/or weighed, inventory items were not cordoned off or locked with a numbered seal. As a result, it was difficult to track and monitor which items had been counted.
- The Mint stores inventory items in metal tanks by denomination. The tanks are numbered for identification purposes and also have the weight of the tank "tare weight" detailed on the side to ensure that the weight of the tank is not included and counted in the weight of the inventory. We noted that for 11 of the 104 work-in-process inventory items selected for recount, the Mint personnel incorrectly subtracted the tank number instead of the tare weight from the total amount weighed, which resulted in the Mint recording the incorrect amount of inventory on hand.
- The reconciliation of the Costed Inventory By Account (CIBA) subsidiary ledger to the [REDACTED] general ledger was not performed prior to the inventory count to identify reconciling items, nor after the count to ensure that the adjustments were posted correctly. Further, the detailed supporting documentation for the adjustments posted was not maintained.
- There was no evidence of review and approval of the QPI results and adjustments prior to the entries being posted to the [REDACTED] general ledger. The QPI adjustments posted by the Philadelphia Mint did not include any evidence of review by the Financial Managers, Plant Managers, the Office of Chief Financial Officer (OCFO), or the Manufacturing Strategic Business Unit (MSBU) at Headquarters.

We recommend that the Mint review and revise the SOP and require management at Headquarters to perform inventory control monitoring procedures at each Mint facilities. Further, the management should ensure that the Philadelphia Mint:

- Develop clear inventory instructions and conduct training sessions on the inventory procedures that should be performed during the QPI, with all personnel participating in the inventory, including employees from the plant floor, coining, and accounting. In addition, the Philadelphia Mint should select count teams that include independent employees from other departments to assist in the inventory count. Further, all personnel should be required to remain on hand through the conclusion of the inventory count.
- Develop a clear and consistent system for marking inventory items counted to ensure that the QPI count is complete, and that they have control over inventory movement during the QPI count. Management should consider the use of rope/tape and grip locks to seal off all tanks that have been counted, and attaching the physical count sheets to each individual coil that is not part of the racking system to indicate it has been counted.
- Ensure that count teams are trained to search for the proper tare weight when performing an inventory count. In addition, the tanks holding inventory should be clearly labled with both the tank number and the tare weight of the tank to ensure that inventory count teams can easily identify and subtract the correct tare weight when weighing inventory items.
- Run the CIBA report from the Mint's subsidiary ledger before and after the QPI count and perform reconciliation to the [REDACTED] general ledger.
- Establish policies and procedures that require the QPI adjustments be adequately supported by detailed documentation and be reviewed and signed-off by both a management-level reviewer at the field sites and at Headquarters.

Asset Management

B-1 Controls Over Asset Retirements Should be Strengthened

During our Asset Management test work, we noted that for 2 of 23 asset retirement sample items the Mint could not locate the Excess Property report that had been signed by the Property Manager.

We recommend that Mint establish and implement a method to ensure that Excess Property forms are properly filed and to ensure that the forms are available for examination for a reasonable time period after the retirement transaction.

B-2 Policies and Procedures for Performing Impairment Analysis Should be Reviewed

During our Asset Management testwork, we noted that the manufacturing facilities of the Mint performs an impairment analysis by using the Net Book Value report as well as physical verification to determine if an asset is impaired (i.e. damaged, obsolete, no longer in use, and not currently disposed.) However, we noted that the Mint does not perform a Mint-wide analysis of asset impairment, independent of the facility level review, utilizing annual reports that are issued by the engineers regarding the operational capacity reports. This analysis is beneficial in further determining impairment issues related to the future cash flows of an asset.

We recommend that the Mint consider establishing policies and procedures to review the annual reports prepared by the engineers, and perform an independent Mint-wide impairment analysis.

Revenue Generation and Collection

C-1 Controls Over Monitoring the MOA with the USPS Should be Strengthened

During our Revenue test work, we noted that the Mint is not complying with the terms in the *Memorandum of Agreement between the United States Postal Service and the United States Mint for a Joint Product Partnership* (MOA). The MOA is dated August 22, 2002, and specifies the terms for splitting revenues generated through the sales efforts undertaken by both the Mint and the United States Postal Service (USPS), but these terms have not been followed by the Mint and amounts due to/from the USPS have not been calculated, accrued, or paid to date.

We recommend that the Mint review the terms of the MOA with the USPS and implement policies and procedures that require the calculations and reconciliation of amount due to/from the USPS on a regular basis. Once amounts due/from the USPS are determined, applicable adjustments should be promptly recorded in the general ledger.

C-2 Controls Over the Preparation of Shipping Documents Should be Strengthened

During our walkthroughs and control testwork, we noted that the Mint prepares Government Bill of Lading (GBL) documentation for all shipments prior to the shipment date. We noted that the GBLs are pre-populated using the shipment date scheduled with the third party carrier.

We recommend that the Mint strengthen its shipping policies to ensure that the shipment date is left blank on all GBLs, and require truckers from third party carrier to sign and date the GBLs when the inventory is loaded on the truck and physically leaves the Mint's loading dock.

C-3 Improper Recognition of Consignment Sales

During our Revenue test work, we noted that revenue on consignment sales is improperly recognized when products are shipped to the consignee, for future sales, and not when the products are ultimately sold by the consignee. The consignee does not have an obligation to pay the Mint until the products are ultimately sold and has the right to return the products to the Mint at any time.

We recommend that the Mint review and revise the revenue recognition policy for consignment sales to ensure that revenue is recognized when the products are ultimately sold by the consignee, and not when products are shipped.

Human Resource Management

D-1 Controls Should be Developed for Monitoring Payroll Processed by Service Providers

The Mint outsourced certain payroll functions to the Bureau of the Public Debt's Administrative Resource Center (ARC) during fiscal year 2006. ARC submits the Mint's payroll information to the National Finance Centre (NFC), who processes the Mint's payroll. We noted that the Mint has not updated the Standard Operating Procedures (SOP) to address current operational requirements, and no controls have been established to verify that the payroll is properly processed by NFC and ARC at the employee level. We noted that only a monthly reconciliation is being performed to reconcile the payroll expense paid by the NFC [REDACTED].

We recommend that the Mint implement adequate controls over the payroll process to ensure that payroll processed by NFC and ARC are complete and accurate. Further, enhanced SOP should be developed to provide a clear audit trail of the processes and controls that are performed at ARC and the Mint.

Procurement

E-1 Controls Over Disbursements Should be Strengthened

During our Procurement test work, we noted that for 9 of 119 disbursements reviewed, the invoices were not date-stamped as required. From the 9 discrepancies, 6 invoices were from the Philadelphia Mint, 1 was from the West Point Mint and 2 were from Fort Knox.

We recommend that the Mint establish an internal review process to ensure that all invoices are date-stamped when received prior to being approved for payment.

E-2 Controls Over Document Retention of Purchase Orders Should be Strengthened

During our Procurement test work, we noted that for 1 of the 119 disbursements tested, the signed purchase order was not provided by the Mint as of the completion of our procurement test work on November 28, 2006.

We recommend that the Mint management strengthen its procurement document retention policy to ensure that adequate documentation is readily available and properly maintained for all disbursement transactions.

E-3 Accounts Payable Module Should be Enhanced to Automatically Calculate Prompt Pay Penalty Interest

During our disbursement test work, we noted that although 11 of the 119 disbursements tested were paid more than 30 days late, the Mint did not pay $3,266.22 of prompt pay interest penalty in accordance with the Prompt Payment Act. Of the 11 invoices, 7 were from the Philadelphia Mint, 3 were from the West Point Mint, and 1 was from Headquarters.

We recommend that the Mint enhance the Accounts Payable Module to ensure that prompt pay interest is automatically calculated for disbursements that are paid beyond the timeframe stipulated in the Prompt Pay Final Rule. In the interim, the Mint should designate a supervisor to perform a detailed review of accounts payable reports to identify invoices that are due for payment.

Manufacturing

F-1 Management Review of Variances Should be Formalized and Strengthened

During our manufacturing test work, we noted that the Mint Standard Operating Procedure (SOP) related to standard cost accounting procedures does not specifically require reconciling items and variances to be documented and supported. As a result, the monthly review of variances between standard cost rates and over/under applied overhead, which ensures that costs associated to the production and manufacture of coins are allocated to inventory balances on a monthly basis, did not provide detailed explanations of the nature of the variances identified and supporting documentation to determine how the Mint obtained comfort over the reasonableness of the variances identified.

We recommend that the Mint revise its policies and procedures to require evidence and support for the monthly review and approval of variances between standard cost rates and over/under applied overhead. The analysis should be signed-off by both the preparer and a management-level reviewer. In addition, the analysis should quantify what the Mint deems significant, the rationale for the reasonableness of significant variances identified, and support for the conclusions reached.

F-2 Controls Over Document Retention for Standard Costs Should be Strengthened

During our audit, we noted that the Mint utilized forecasts and projections of metal prices from 26 different economists, in order to estimate the standard costs for metals. On a monthly basis, the Mint performs an over/under analysis to identify variances between the standard costs and actual costs incurred and record the necessary adjustment [REDACTED]. However, we noted that the Mint does not have a policy describing the theory, assumptions, methods, and source data used to forecast standard cost for inventory. Additionally, we noted that the Mint did not maintain the source data used to calculate the standard costs for metals in the current year.

We recommend that the Mint develop a policy describing the theory, assumptions, methods, and data used to forecast unit rates for inventory. Additionally, we recommend that the Mint retain for their records (and to fulfill audit requests) supporting documentation utilized in their forecasting of standard costs.

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Fiscal Year 2006 Management Letter Comments

Information Technology

G-1 Improvements Needed in Specialized Training for Employees

During our test work regarding the Entity-Wide Specialized Security training, we noted that:

- The Mint did not provide adequate documentation noting that all individuals with specialized security roles had attended specialized training to support their job function and duties.
- Specialized training content is not targeted to the specialized functions of those individuals taking the training (i.e. there is not a specific training for Administrators, Database programmers, security specialist, etc.). The training is an overview detailing what should be covered.

We recommend that the Mint implement policies and procedures requiring individuals with critical security functions to attend additional role-based security training beyond the standard annual security awareness training and adequately track the completion of specialized training.

G-2 Improvements Needed in Audit Reviews [REDACTED]

During our test work regarding audit trail review, we noted that the Mint has not consistently conducted periodic reviews of [REDACTED] system-generated audit logs. Although the Mint has policies in place that define the type of activities that are logged, procedures are not clear as to how often the logs should be reviewed.

Based on discussion with the Mint, we determined that audit logs are not reviewed on a regular basis, and there are inconsistencies with the formal procedures for reviewing logs and the actual methods in place.

We recommend that the Mint strengthen policies and procedures to ensure that:

- An individual independent of the personnel administering the Mint WAN is tasked with the responsibility for reviewing system audit trails on a regular basis.
- The review of audit logs is documented to provide evidence of review and included in the daily Titan Reports when reviews are conducted.
- The audit log files are retained and archived in accordance with Mint policy.
- Policies are updated to include regular periodic review (i.e. daily, weekly, etc) of audit logs and employ the use of automated tools to analyze logs and automatically alert administrators of potential issues.

G-3 Improvements Needed in Network Account Management

During our test work regarding [REDACTED] account access management, we noted the following [REDACTED] :

- [REDACTED] passwords that do not expire.
- [REDACTED] who left the Mint over 9 months ago but still have accounts on the system.
- [REDACTED] account that never logged in.
- [REDACTED] accounts that never logged in.

- [REDACTED] accounts with passwords that do not expire.
- [REDACTED] accounts with passwords that do not expire.
- [REDACTED] Accounts with password that do not expire.
- Over 1000 accounts have not logged in over 90 days and still have accounts (90 day period for removal).
- Multiple test accounts detected.

We recommend that the Mint strengthen policies and procedures to ensure that:

- [REDACTED] accounts for separated individuals are disabled and deleted in a manner consistent with Federal guidance.
- Evidence of [REDACTED] account management activities is documented for verification and audit trail purposes
- [REDACTED] account lists reviews are implemented effectively such that unused user accounts are disabled and removed if no longer needed.

G-4 Improvements Needed in Data Security Controls

During our test work regarding the physical access to the data center, we noted that:

- Visitor logs for Data Center 799 were missing at the Data Center tour. Once the logs were located, the information located in the logs was inconsistent. We noted that the logs did not have the full date, month, and year. Thus, the Mint could not verify when people entered or left the vault; and
- Electric Data Center swipe logs of individuals accessing the Data Center were not provided. These are controlled by the Office of Protection.

We recommend that the Mint:

- Continue its review processes and ensure that all currently authorized personnel have legitimate business needs for Data Center access.
- Review physical access lists to sensitive areas at least quarterly.
- Require all individuals, including those with authorized swipe access to the Data Center, to sign in and complete the visitor log each visit.
- Increase management oversight to ensure existing policies and procedures related to physical and logical access controls are adhered to.
- Assign the data center supervisor, or another appropriate individual, responsibility for ensuring the visitor log is completely filled out by all persons not included on the approved access list.
- Periodically review the visitor log to verify its completeness and investigate any incomplete entries.

G-5 Improvements Needed in Internal System Device Controls

The results of our internal penetration study are as follows:

- Weak [REDACTED] passwords were found on 8 [REDACTED] ; and

- 6 systems were found to have [REDACTED] accounts with weak passwords.

We recommend that the Mint:

- Require accounts with preconfigured, pre-set, widely known passwords to be modified to adhere with National Institute of Standards and Technology (NIST) guidance.
- Enforce procedures for conducting periodic password audits in order to ensure users are complying with Federal guidance.
- Perform vulnerability assessments and penetration tests on all offices of the Mint, from a centrally managed location with a standardized reporting mechanism, on a regularly scheduled basis in accordance with NIST guidance.
- Provide training sessions to ensure that system and network users and administrators are aware of the risks with establishing new devices. Such training should include guidance on using strong passwords and ensuring security testing of all devices before they enter production.
- Ensure that as new systems are added and older systems decommissioned, an active inventory is maintained so that no hosts are overlooked during vulnerability scans. This will also contribute to the development of scan policies based on machine/server class as discussed in the previous recommendation.

Financial Reporting

H-1 Standard Operating Procedures Should be Implemented for Heritage Assets

During fiscal year 2006, we noted that the United States Mint adopted the provisions of Statement of Federal Financial Accounting Standards (SFFAS) No. 29, *Heritage Assets and Stewardship Land*. The United States Mint removed museum quality pieces from operating inventory [REDACTED] and created a new heritage assets footnote as required by SFFAS No. 29. However, as noted in fiscal year 2005, the Mint does not have policies and procedures in place to ensure compliance with SFFAS No. 29.

We recommend that the United States Mint develop standard operating procedures to ensure compliance with SFFAS No. 29. These procedures should require the implementation of tracking procedures to ensure that heritage coins and other heritage property, plant and equipment items are properly presented. Tracking, at a minimum, should include a description of major categories, physical unit information for the end of the reporting period, physical units added and withdrawn during the year, a description of the methods of acquisition and withdrawal, and condition information.

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

December 8, 2006

KPMG LLP
2001 M Street N.W.
Washington, DC 20036

Ladies and Gentlemen:

We have reviewed the fiscal year 2006 draft management letter. The United States Mint management generally concurs with the conditions reported and will review the noted conditions and analyze the recommendations to develop corrective action plans to address the issues. While the final resolution may not specifically follow the recommendation, we will, in consultation with our auditors, ensure that the corrective action will resolve the reported concern.

Sincerely,

Patricia M. Greiner

Patricia M. Greiner
Chief Financial Officer

Appendix C

THE UNITED STATES MINT

Status of Prior Year Management Letter Comments

Fiscal Year 2006 Management Letter

Fiscal Year 2005 Management Letter Comment		Fiscal Year 2006 Status
Inventory Management		
A-1	Physical Security at Warehouse Should be Improved and Closely Monitored	Repeated: See fiscal year 2006 revised comment at A-3.
A-2	Management Review of QPI/API Results Should be Strengthened	Repeated: See fiscal year 2006 revised comment at A-6.
A-3	Improvements Required over the Physical Verification of Coils Received from Vendors	Closed.
A-4	Quarterly and Annual Physical Inventory Procedures Should be Standardized	Repeated: See fiscal year 2006 revised comment at A-6.
A-5	Sampling Methodology for Physical Inventories Should be Strengthened	Repeated: See fiscal year 2006 revised comment at A-2.
A-6	Standard Operating Procedures Should be Implemented for Heritage Assets	Partially Resolved: See fiscal year 2006 revised comment at H-1.
A-7	Improvements Needed to Monitor Slow-moving and Obsolete Inventory	Repeated: See fiscal year 2006 revised comment at A-4.
Asset Management		
B-1	Controls over Asset Retirements Should be Strengthened	Repeated: See fiscal year 2006 revised comment at B-1.
B-2	Controls over Monthly Property, Plant and Equipment Reconciliations Should be Strengthened	Closed.
Revenue Generation and Collection		
C-1	Improper Revenue Recognition for Consignment Sales	Repeated: See fiscal year 2006 revised comment at C-3.
C-2	Controls over Signatures on Bullion Release Authorization Memos Should be Strengthened	Closed.
C-3	Controls over Monthly Revenue Reconciliations Should be Strengthened	Closed.
C-4	Controls over Monitoring the MOA with USPS Should be Strengthened	Repeated: See fiscal year 2006 revised comment at C-1.
C-5	Standard Operating Procedures Should be Established for Sales made to FRB	Partially Resolved: See fiscal year 2006 revised comment at C-2.
Human Resource Management		
D-1	Control over Time and Attendance Reports Should be Improved	Closed.

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Status of Prior Year Management Letter Comments

Fiscal Year 2006 Management Letter

Fiscal Year 2005 Management Letter Comment		Fiscal Year 2006 Status
D-2	Management Review of the HR Connect Mismatch Reports Should be Strengthened	Closed.
Procurement		
E-1	Control over Disbursements Should be Strengthened	Repeated: See fiscal year 2006 revised comment at E-1.
E-2	Controls over Approving Invoices Should be Strengthened	Closed.
E-3	Controls over Updating Vendor and Customer Contact Information Should be Strengthened	Closed.
Manufacturing		
F-1	Policies over the Timing for Updating Inventory Standard Costs Should be Reviewed	Closed.
F-2	Management Review of Variances Should be Formalized and Strengthened	Repeated: See fiscal year 2006 revised comment at F-1.
Budgetary Resources		
G-1	Controls over Budgetary Resources Should be Strengthened	Closed.
Information Technology		
H-1	Improvements Needed Related to Access Control Policies and Procedures	Closed.
H-2	Improvements Needed Related to Security Plan Policies and Procedures	Closed.
H-3	Improvements Needed Related to Service Continuity Policies and Procedures	Closed.
H-4	Improvements Needed Related to Patch Management [REDACTED]	Closed.
H-5	Improvements Needed Related to Password Policy	Partially Resolved: See fiscal year 2006 revised comment at G-5.
Financial Reporting		
J-1	Management Approval for Use of Facsimile Signature	Closed.