Audit Report

OIG-16-002

Audit of the United States Mint's Schedules of Custodial Deep Storage Gold and Silver Reserves as of September 30, 2015 and 2014

October 29, 2015

Office of
Inspector General

Department of the Treasury

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SECTION I -

REPORT OF THE OFFICE OF INSPECTOR GENERAL

Independent Auditor's Report

To the Principal Deputy Director of the United States Mint

Report on the Schedules

We have audited the accompanying Schedules of Custodial Deep Storage Gold and Silver Reserves of the United States Mint (Mint) as of September 30, 2015 and 2014 (Schedules) and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules 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 the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Schedules based on our audits. We conducted our audits in accordance with U.S. generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Mint's preparation and fair presentation of the Schedules 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 Mint'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 Schedules.

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

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the balances of the United States' Deep Storage Gold and Silver Reserves in the custody of the Mint as of September 30, 2015 and 2014, in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by U.S. Generally Accepted Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audits of the Schedules, we considered the Mint's internal control over financial reporting related to the Schedules to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the schedules, but not for the purpose of expressing an opinion on the effectiveness of the Mint's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mint's internal control over financial reporting.

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 Schedules 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 over financial reporting was for the limited purpose described in the second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting related to the Schedules that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedules are free from material misstatement, we performed tests of the Mint's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of schedule amounts. We limited our tests of compliance to those provisions and did not test compliance with all laws, regulations, contracts and grant agreements applicable to the Mint. We caution that noncompliance may occur and not be detected by those tests. Providing an opinion on compliance with laws, regulations, contracts and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests of the Mint's compliance with certain provisions of laws, regulations, contracts and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under U.S. generally accepted government auditing standards.

Purpose of the Other Reporting Required by U.S. Generally Accepted Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by U.S. Generally Accepted Government Auditing Standards section is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Mint's internal control over financial reporting or on compliance. This communication is an integral part of an audit performed in

accordance with U.S. generally accepted government auditing standards in considering the Mint's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Ade Bankole
Acting Director, Financial and Procurement Audit

Washington, D.C.
October 29, 2015

SECTION II -

UNITED STATES MINT'S SCHEDULES OF CUSTODIAL DEEP STORAGE GOLD AND SILVER RESERVES AS OF SEPTEMBER 30, 2015 AND 2014

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
SCHEDULES OF CUSTODIAL DEEP STORAGE GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 2015 AND 2014
(IN THOUSANDS)

	2015	2014
Deep storage gold and silver reserves (Note 2)	$10,364,687	$10,364,687
Liability to Treasury (Note 2)	$10,364,687	$10,364,687
Net deep storage gold and silver reserves custodial position	$ 0	$ 0

The accompanying notes are an integral part of these schedules.

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE SCHEDULES OF
CUSTODIAL DEEP STORAGE GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 2015 AND 2014

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

The United States Mint (Mint), established in 1792, is an integral part of the Department of the Treasury (Treasury). The mission of the Mint is to manufacture and distribute circulating, precious metal and collectible coins, and providing security over assets entrusted to us.

In addition to manufacturing circulating coins, the Mint manufactures numismatic products, including medals, proof coins, uncirculated coins, bullion coins (gold and silver), and commemorative coins. These manufacturing operations are reported in the Mint's financial statements. The Mint is also the custodian of a significant portion of the United States gold and silver reserves. The Mint uses the term custodial to identify gold and silver reserves held for Treasury. The custodial reserves are not assets of the Mint, but are assets of Treasury.

The Mint's Public Enterprise Fund (PEF) funds all custodial activities, including the protection of the United States gold and silver reserves.

B. Basis of Presentation

These schedules have been prepared to report the deep storage gold and silver reserves custodial position of the Mint. The books and records of the Mint have served as the source of the information contained herein. These schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

These schedules include all gold and silver classified by the Mint as "custodial deep storage reserves" as defined in Note 2. Deep storage is defined as that portion of the Treasury-owned gold and silver bullion reserves which the Mint secures in sealed vaults. Deep storage gold comprises the vast majority of the reserves and consists primarily of gold bars. These schedules do not reflect any United States gold and silver reported by the Mint as working stock, or any reserve amounts due to be replenished by the PEF, nor do they include Treasury-owned gold held by Federal Reserve Banks (FRB). Upon approval from the Secretary of the Treasury, the PEF may use gold and silver from the custodial deep storage reserves to support its numismatic operations. The Mint did not use deep storage gold or silver reserves to produce coins in fiscal years 2015 and 2014.

Note 2 Deep Storage Gold and Silver Reserves

The gold and silver reserves reported in these schedules are exclusive of the gold and silver reserves considered to be working stock in the Mint's financial records and of the Treasury-owned gold held by the FRB. The custodial deep storage gold and silver

reserves included in these schedules are primarily in bar form, but may occasionally be in coin or other form. The custodial deep storage reserves also include foreign gold coins that have been held by Treasury for many years.

The deep storage gold and silver reserves are reported in these schedules at the values stated in 31 U.S.C. § 5116 and § 5117 (statutory rates) which are $42.2222 per fine troy ounce (FTO) of gold and no less than $1.292929292 per FTO of silver. Accordingly, the Mint values the silver at $1.292929292 per FTO. An offsetting liability is also reported for these assets.

At September 30, 2015 and 2014, the market values of gold per the London Gold Fixing (PM) were $1,114.00 per FTO and $1,216.50 per FTO, respectively. Deep storage gold inventories consisted of the following at September 30:

	FTO	Statutory Value	Market Value
2015	245,262,897.04	$10,355,539,091	$273,222,867,303
2014	245,262,897.04	$10,355,539,091	$298,362,314,249

At September 30, 2015 and 2014, the market values of silver per the London Silver Fixing were $14.65 per FTO and $17.11 per FTO, respectively. Deep storage silver inventories consisted of the following at September 30:

	FTO	Statutory Value	Market Value
2015	7,075,171.14	$ 9,147,696	$103,651,257
2014	7,075,171.14	$ 9,147,696	$121,056,178

The combined custodial deep storage gold and silver reserves consisted of the following at September 30:

	Statutory Value	Market Value
2015	$10,364,686,787	$273,326,518,560
2014	$10,364,686,787	$298,483,370,427

APPENDICES

Financial and Procurement Audit Division

Renee Whittington, Manager
Rafael Cumba, Auditor-in-Charge
Rufus Etienne, Auditor
Robert Hong, Auditor
Kevin Guishard, Referencer

The Department of the Treasury

Secretary of the Treasury
Treasurer of the United States
Assistant Secretary for Management
Deputy Chief Financial Officer
Director, Financial Reporting and Policy

United States Mint

Chief Financial Officer

Independent Public Accountant

KPMG LLP