



Audit Report



OIG-18-019

FINANCIAL MANAGEMENT

Management Letter for the Audit of the Department of the Treasury's Fiscal Years 2017 and 2016 Financial Statements

November 30, 2017

Office of Inspector General
Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

November 30, 2017

**MEMORANDUM FOR KODY H. KINSLEY
ASSISTANT SECRETARY FOR MANAGEMENT**

FROM: James Hodge /s/
Director, Financial Audit

SUBJECT: Management Letter for the Audit of the Department of the
Treasury's Fiscal Years 2017 and 2016 Financial Statements

I am pleased to transmit the attached subject management letter. Under a contract monitored by our office, KPMG LLP (KPMG), an independent certified public accounting firm, audited the financial statements of the Department of the Treasury as of September 30, 2017 and 2016, and for the years then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*.

As part of its audit, KPMG issued the attached management letter dated November 29, 2017, that discusses a matter involving deficiencies in internal control and other operational matters that was identified during the audit, but was not required to be included in the auditors' reports.

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 with respect to this management letter.

Should you have any questions, please contact me at (202) 927-0009, or Ade Bankole, Manager, Financial Audit, at (202) 927-5329.

Attachment



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

November 29, 2017

Inspector General
Department of the Treasury

In planning and performing our audit of the consolidated financial statements of the Department of the Treasury (the Department), as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*, we considered the Department'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

We did not audit the financial statements of the Internal Revenue Service and the Office of Financial Stability, component entities of the Department. Those statements were audited by other auditors.

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. During our audit, we noted one matter involving deficiencies in internal control and other operational matters that is presented for your consideration. The comment and recommendation, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operational efficiencies and are summarized as follows:

Management Review of the SF-133, *Report on Budget Execution and Budgetary Resources*, Needs Improvements

The Office of Performance and Budgeting (OPB) and the applicable Treasury Bureaus conduct a monthly SF-133, *Report on Budget Execution and Budgetary Resources* review meeting. As part of this process, OPB completes a comment review worksheet; however, OPB did not document who conducted the review and when the review was completed. OPB does not have a policy requiring individuals to document who conducted the review and when the review was completed.

Recommendation

We recommend that the Department develop and implement a policy that requires OPB to document who conducted the review of the SF-133 report and when the review was completed.

Management Response

The Department concurs with the finding. The Office of Performance Budgeting (OPB) conducts monthly management reviews of the SF 133 and SF 132 and documents issues as part of its internal control. OPB will implement a policy to include the requirement that staff document who conducted the reviews and when the reviews were completed.



November 29, 2017

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Our audit procedures are designed primarily to enable us to form an opinion on the consolidated 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 the Department'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 Department's response to our communication of the deficiencies and other matters identified in our audit is described above. The Department'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.

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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