



Audit Report



OIG-16-028

FINANCIAL MANAGEMENT

Management Letter for the Audit of the Bureau of Engraving and Printing's Fiscal Years 2015 and 2014 Financial Statements

January 14, 2016

Office of
Inspector General

Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 14, 2016

**MEMORANDUM FOR LEONARD R. OLIJAR, DIRECTOR
BUREAU OF ENGRAVING AND PRINTING**

FROM: Adé Bankole
Acting Director, Financial and Procurement Audit

SUBJECT: Management Letter for the Audit of the Bureau of Engraving
and Printing's Fiscal Years 2015 and 2014 Financial
Statements

We contracted with the independent certified public accounting firm of KPMG, LLP (KPMG) to audit the financial statements of the Bureau of Engraving and Printing (BEP) as of September 30, 2015 and 2014, and for the years then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/President's Council on Integrity and Efficiency *Financial Audit Manual*.

As part of its audit, KPMG issued the attached management letter dated December 23, 2015, that discusses deficiencies in internal control over financial reporting that were identified during the audit, but were 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) 927-5329, or Renee Whittington, Manager, Financial and Procurement Audit, at (202) 927-0362.

Attachment

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THE DEPARTMENT OF THE TREASURY

BUREAU OF ENGRAVING AND PRINTING

**MANAGEMENT LETTER
FOR THE YEAR ENDED SEPTEMBER 30, 2015
DECEMBER 23, 2015**

**BUREAU OF ENGRAVING AND PRINTING
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

The Inspector General, Department of the Treasury and
The Director of the Bureau of Engraving and Printing, Department of the Treasury:

In planning and performing our audit of the financial statements of the Bureau of Engraving and Printing (the Bureau), as of and for the year ended September 30, 2015, 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 (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, we considered the Bureau's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. In conjunction with our audit of the financial statements, we also examined management's assertion that the Bureau maintained effective internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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.

Our audit procedures are designed primarily to enable us to form opinions on the financial statements and on management's assertion on the effectiveness of internal control over financial reporting and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. We aim, however, to use our knowledge of the Bureau'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 Bureau's responses to the deficiencies identified in our audit are described in Appendix A. The Bureau's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

Internal Control Over the Review of Terminated Users Access to Oracle Financials Manufacturing Support System Needs Improvement

The Bureau utilizes Oracle Financials Manufacturing Support Suite (MSS) to process its financial transactions and to serve as its general ledger. During our fiscal year 2015 audit, we noted that management's controls for removing terminated employees and contractors from the Oracle Financials MSS needs improvement. During testing, we noted 72 terminated individuals still had active MSS user accounts.

Bureau Enterprise Network (BEN) Enterprise Manufacturing Support Suite (MSS) System Security Plan (SSP) Version: 1.8.2 June 17, 2015, section AC-2 states: The organization manages information system accounts including: (1) establishing, activating, modifying, disabling, and removing accounts; (2) notifying account managers when temporary accounts are no longer required and when information system users are terminated, transferred, or information system usage or need-to-know/need-to-share changes; and (3) deactivating: (i) temporary accounts that are no longer required; and (ii) accounts of terminated or transferred users; (ii) granting access to the system based on: (i) a valid access authorization; (ii) intended system usage; and (iii) other attributes as required by the organization or associated missions/business functions; and (iii) reviewing accounts annually for user accounts, and semiannually for privileged accounts.

In fiscal year 2015, management decided to rely on mitigating controls and to remove the terminated users during the next annual recertification. As a mitigating control, these terminated individuals did not have active access to the BEP LAN/WAN, as having access to the LAN/WAN is a precursor to being able to authenticate to MSS. However, these active MSS user accounts for these terminated users were open to compromise during the fiscal year. Unauthorized access to and/or modification of MSS financial and production may occur.

We recommend that the Bureau: (1) Investigate the 72 accounts of the terminated users in MSS and remove accounts as necessary, and (2) Implement procedures to review and remove the user MSS accounts of terminated employees and/or contractors in a timely manner once notified either by Human Resources or the Contract Officer Technical Representatives (COTRs).

Management Response:

Management does not concur with the finding. Management noted that terminated users do not have access to Oracle Financials MSS, as authentication and authorization to MSS is handled and protected by SiteMinder through a standard IT security process known as Single Sign on (SSO).

Auditor Response:

We reviewed management's response and believe that the facts in our finding are accurate as stated.

Internal Control Over the Reporting of Accrued Expenses Needs Improvement

During our testing of fiscal year 2015 expenses, we noted an invoice in the amount of \$499,268 that related to services provided in fiscal year 2015 and other services to be provided in fiscal year 2016; however, the Bureau recorded the entire invoice amount as an expense in fiscal year 2015. This error was not detected during the Contracting Officer Representative's (COR) review of the invoice.

The 2013 version of the Committees of Sponsoring Organizations Internal Control Integrated Framework, states the following, "Recorded transactions represent economic events that actually occurred and were executed according to prescribed procedures. Validity is generally achieved through control activities that include the authorization of transactions as specified by an organization's established policies and procedures (i.e., approval by a person having the authority to do so)."

OMB Circular No. A-123, *Management Accountability and Control*, Section II: Establishing Management Controls, states: "Transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination."

The contract with the vendor was established requiring recurring, monthly payments. However, the invoice was for the full amount of the annual contract. The COR did not perform a sufficient review of the invoice to ensure that the invoice received is limited to the monthly payment, as required by the contract terms. Inadequate COR review controls increase the risk that the financial statements could be misstated as of and for the fiscal year ended September 30, 2015. Specifically, we noted an overstatement of expenses and understatement of prepaid expenses as of September 30, 2015 of \$166,256.

We recommend that BEP reinforce training to CORs regarding specific requirements over the review of invoices to ensure the review of invoices is adequately performed and transactions are accurately recorded in the proper period as required by with U.S. generally accepted accounting principles.

Management Response:

Management concurs with the finding.



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