



Audit Report



OIG-09-016

Management Letter for Fiscal Year 2008 Audit of the
United States Mint's Financial Statements

December 8, 2008

Office of
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 8, 2008

**MEMORANDUM FOR EDMUND C. MOY, DIRECTOR
UNITED STATES MINT**

FROM: Michael Fitzgerald /s/
Director, Financial Audits

SUBJECT: Management Letter for Fiscal Year 2008 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 2008 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, 2008, 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. 07-04, *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) 927-5789 or a member of your staff may contact Donna Joseph, Manager, Financial Audits, at (202) 927-5784.

Attachment

THE UNITED STATES MINT

Management Letter

Fiscal Year 2008

THE UNITED STATES MINT
Fiscal Year 2008 Management Letter
Table of Contents

Transmittal Letter	2
Appendix A – Fiscal Year 2008 Management Letter Comments	4
Asset Management	
A-1 Controls Over Asset Retirements Should be Strengthened	4
A-2 Controls Over Property, Plant and Equipment Inventory Should be Strengthened	4
Human Resource Management	
B-1 Controls over Reconciliation Reviews Should be Strengthened	4
Inventory Management	
C-1 Controls over Numismatic Inventory Should be Strengthened	5
C-2 Controls over Inventory System Access Should be Strengthened	5
Procurement	
D-1 Controls over Accounts Payable Should be Strengthened	5
Appendix B – United States Mint’s Response to Management Letter Comments FY 2008	7
Appendix C – Status of Prior Year Management Letter Comments	8



KPMG LLP
2001 M Street, NW
Washington, DC 20036

December 3, 2008

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

Gentlemen:

We have audited the financial statements of the United States Mint (Mint) for the years ended September 30, 2008 and 2007, and have issued our report thereon dated December 3, 2008. 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 2008 audit of the Mint's financial statements, we noted two matters involving internal control over financial reporting and its operation that we considered to be significant deficiencies under standards established by the American Institute of Certified Public Accountants. In our *Independent Auditors' Report on Internal Control Over Financial Reporting*, dated December 3, 2008, we reported that we considered the findings related to inventory tracking and open obligation review to be significant deficiencies.

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 internal control over financial reporting 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 significant deficiencies, 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, 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 MINTFiscal Year 2008 Management Letter Comments

Asset Management**A-1 Controls Over Asset Retirements Should be Strengthened**

Assets that are deemed to have reached the end of their useful life and/or are no longer in service, should be properly reported. The United States Mint policy did not require assets that did not have bar coded property tags to be reported on the standard asset retirement form. The asset retirement form fully identifies the asset and by requiring signature, the form documents the Property Manager's approval of the action.

During our Asset Management test work we noted that for 5 of 12 asset retirements from the interim sample, the Mint did not complete the retirement form that had to be signed by the Property Manager for approval.

We recommend that Mint update policies and procedures for the retirement of assets to ensure that retirement forms are completed for all assets retired and that the forms are retained for examination for a reasonable time period after the retirement transaction.

A-2 Controls Over Property, Plant and Equipment Inventory and Accountable Property Should be Strengthened

The Mint performed an extensive physical inventory of property, plant and equipment and accountable property at all facilities during fiscal year 2008. Based on the results of the physical inventory, we noted that improvement is still required to ensure that all property is adequately safeguarded and properly accounted for. Specifically, we noted the following:

- Thirty-two (32) accountable property items physically inspected were received after the inventory had begun and were not included in the initial reports from the Asset Management Module of Oracle. These items of accountable property were not adequately identified as reconcilable items in a timely fashion.
- The inventory report shows 61 accountable property items and one (1) fixed asset as missing. Although follow-up identified some of the items and specifically the fixed asset was determined to be an error in taking inventory, the Mint did not perform a timely reconciliation of the inventory documenting the disposition or status of these assets.

We recommend that the Mint:

- Ensure that fixed assets and accountable property items are properly and timely recorded in the asset management system.
- Ensure that all assets with barcodes are scanned as part of the inventory or documented as a reconciling item with an explanation of the circumstances.

Human Resource Management**B-1 Controls over Reconciliation Reviews Should be Strengthened**

The Mint Headquarters accounting did not have a process in place to review payroll reconciliation (which is one part of the overall cash reconciliation) prepared by Administrative Resource Center (ARC) during fiscal year 2008. Also, the Mint did not update their policies and procedures regarding the reconciliation of cash to reflect the review of payroll reconciliations prepared by ARC.

THE UNITED STATES MINTFiscal Year 2008 Management Letter Comments

We recommend that the Mint update their policies and procedures regarding the reconciliation of cash to include procedures for the review of payroll reconciliations prepared by ARC. The Mint should also implement a review of the payroll reconciliation prepared by ARC as a part of the monthly reconciliation of cash.

Inventory Management**C-1 Controls over Numismatic Inventory Should be Strengthened**

We noted weaknesses in internal controls related to Numismatic inventory, specifically we noted:

- A Standard Operating Procedure (SOP) for the Numismatic physical inventory count does not exist.
- Lack of management review related to entering standard cost of new products in the system.
- Improper classification of damaged inventory as accounts receivable instead of raw material inventory.

We recommend that Mint management implement the following recommendations to correct the condition noted above:

- Implement an inventory SOP for Numismatic Inventory.
- Implement a policy to timely review standard cost entered in the system.
- Ensure proper accounting treatment for unusual transactions.

C-2 Controls over Inventory System Access Should be Strengthened

Although the Mint has properly designed Information Technology Controls related to the additions and deletions of users to the financial reporting system, we noted weaknesses in management's review of users' access to the inventory module. Specifically, we noted that some users had access to the inventory module who have no need. Mint does not have a SOP for management's review of user access levels.

We recommend that Mint Management develop and implement an SOP requiring management review of user access controls in the inventory system for ensuring users have the proper system access.

Procurement**D-1 Controls over Accounts Payables Should be Strengthened**

The Mint is not following their SOP related to the accrual and review of Account 211002, Accounts Payable Received but Not Invoiced. Specifically, we noted the following:

- The Mint is not consistently applying its SOP for Accounts Payable across all the facilities. At most facilities, accruals are created at the end of each month and reversed at the beginning of the next month. However, at some facilities instead of reversing the accruals at the end of the next month, the accrual is adjusted to the balance needed for that month.
- The Mint is not performing a timely review of the balance in account 211002 and the related open obligation to ensure that the accounts payable and open obligations are properly stated. We noted that liabilities were recorded for goods/services already paid for.

THE UNITED STATES MINT

Fiscal Year 2008 Management Letter Comments

We recommend Mint management enforce compliance at all facilities with the SOP for Accounts Payable to ensure liabilities are accrued properly and accurately. The Mint should also ensure that the balance in account 211002 is reconciled so that liabilities and related open obligations are not recorded for goods or services already paid.



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

Appendix B

December 3, 2008

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

Ladies and Gentlemen:

We have reviewed the fiscal year 2008 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 stated recommendation, we will, in consultation with you and the Treasury Office of Inspector General, ensure that the corrective action will resolve the reported concern.

Sincerely,

Associate Director/Chief Financial Officer
United States Mint

THE UNITED STATES MINT
 Status of Prior Year Management Letter Comments
 Fiscal Year 2008 Management Letter

Fiscal Year 2007 Management Letter Comment		Fiscal Year 2008 Status
Inventory Management		
A-1	Controls over Reconciliation Reviews Should be Strengthened	Closed.
A-2	Controls over Quarterly Physical Inventory Procedures at Philadelphia Should be Strengthened	Closed.
A-3	Controls over Quarterly Physical Inventory Procedures at Denver Should be Strengthened	Closed.
A-4	Physical Inventory Procedures at West Point Should be Strengthened	Closed.
Asset Management		
B-1	Controls Over Asset Retirements Should be Strengthened	Repeated: See fiscal year 2008 revised comment at A-1.
B-2	Controls Over Property, Plant and Equipment Should be Strengthened	Closed.
B-3	Controls Over Property, Plant and Equipment Inventory Should be Strengthened	Repeated: See fiscal year 2008 revised comment at A-2.
Revenue Generation and Collection		
C-1	Controls Over the Preparation of Shipping Documents Should be Strengthened	Closed.
C-2	Controls Over the Sign-off of Shipping Documents Should be Strengthened	Closed.
Human Resource Management		
D-1	Controls Should be Developed for Monitoring Payroll Processed by Service Providers	Closed.
D-2	Controls over Reconciliation Reviews Should be Strengthened	Repeated: See fiscal year 2008 revised comment at B-1.
Financial Reporting		
E-1	Standard Operating Procedures Should be Implemented for Heritage Assets	Closed.