



# Audit Report



OIG-21-003

## FINANCIAL MANAGEMENT

**Audit of the United States Mint's Schedules of Custodial Deep Storage Gold and Silver Reserves as of September 30, 2020 and 2019**

October 21, 2020

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 Director of the United States Mint

In our audits of the Schedules of Custodial Deep Storage Gold and Silver Reserves of the United States Mint (Mint) as of September 30, 2020 and 2019, we found:

- the United States Mint's Schedules of Custodial Deep Storage Gold and Silver Reserves as of September 30, 2020, and 2019, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses<sup>1</sup> in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2020 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the Schedules; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

### Report on the Schedules

We have audited the accompanying Schedules of Custodial Deep Storage Gold and Silver Reserves of the United States Mint as of September 30, 2020 and 2019 and the related notes (Schedules). We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

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<sup>1</sup>A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

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### Management's Responsibility

The Mint management is responsible for (1) the preparation and fair presentation of these Schedules in accordance with U.S. generally accepted accounting principles; (2) preparing and presenting other information included in documents containing the audited Schedules and auditor's report, and ensuring the consistency of that information with the audited Schedules; and (3) maintaining effective internal control over financial reporting, including 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. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit of the Schedules 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 auditor's 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 of the Schedules 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. Our audits also included performing other procedures as we considered necessary in the circumstances.

### Opinion on Schedules

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

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Reserves in the custody of the Mint as of September 30, 2020 and 2019, in accordance with U.S. generally accepted accounting principles.

## **Report on Internal Control over Financial Reporting**

In connection with our audits of the Schedules, we considered the Mint's internal control over financial reporting related to the Schedules, consistent with our auditor's responsibility discussed below. We performed our procedures related to the Mint's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

### Management's Responsibility

The Mint management is responsible for maintaining effective internal control over financial reporting, including 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

In planning and performing our audit of the Schedules, in accordance with U.S. generally accepted government auditing standards, we considered the Mint's internal control over financial reporting related to the Schedules as a basis for designing 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 Mint's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies<sup>2</sup> or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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<sup>2</sup>A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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## Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of the Schedules in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

## Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the Mint's internal control over financial reporting. 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.

## Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the Mint's internal control over financial reporting related to the Schedules and the results of our procedures, and not to provide an opinion on the effectiveness of the Mint's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.



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## **Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements**

In connection with our audits of the Schedules, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

### Management's Responsibility

The Mint management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Mint.

### Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to the Mint that have a direct effect on the determination of material amounts and disclosures in the Schedules, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Mint.

### Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2020 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations,

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contracts, and grant agreements applicable to the Mint. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

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Should you or your staff have any questions, you may contact me at (202) 927-0009, or a member of your staff may contact Ade Bankole, Manager, Financial Audit at (202) 927-5329. We appreciate the courtesy and cooperation extended to our staff.



James Hodge  
Director, Financial Audit

Washington, D.C.  
October 21, 2020

**SECTION II -**

**UNITED STATES MINT'S SCHEDULES OF CUSTODIAL  
DEEP STORAGE GOLD AND SILVER RESERVES  
AS OF SEPTEMBER 30, 2020 AND 2019**

**DEPARTMENT OF THE TREASURY  
 UNITED STATES MINT  
 SCHEDULES OF CUSTODIAL DEEP STORAGE GOLD AND SILVER  
 RESERVES  
 AS OF SEPTEMBER 30, 2020 AND 2019  
 (IN THOUSANDS)**

	2020	2019
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
	\$ 0	\$ 0
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, 2020 AND 2019**

**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 provide 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.

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 2020 and 2019.

**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

**DEPARTMENT OF THE TREASURY  
UNITED STATES MINT  
NOTES TO THE SCHEDULES OF  
CUSTODIAL DEEP STORAGE GOLD AND SILVER RESERVES  
AS OF SEPTEMBER 30, 2020 AND 2019**

**Note 2 Deep Storage Gold and Silver Reserves (Continued)**

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, 2020 and 2019, the market values of gold per the London Gold Fixing (PM) were \$1,886.90 per FTO and \$1,485.30 per FTO respectively. Deep storage gold inventories consisted of the following at September 30:

	<b>FTO</b>	<b>Statutory Value</b>	<b>Market Value</b>
<b>2020</b>	245,262,897.04	\$10,355,539,091	\$462,786,560,425
<b>2019</b>	245,262,897.04	\$10,355,539,091	\$364,288,980,974

At September 30, 2020 and 2019, the market values of silver per the London Silver Fixing were \$23.73 per FTO and \$17.26 per FTO respectively. Deep storage silver inventories consisted of the following at September 30:

	<b>FTO</b>	<b>Statutory Value</b>	<b>Market Value</b>
<b>2020</b>	7,075,171.14	\$ 9,147,696	\$167,893,811
<b>2019</b>	7,075,171.14	\$ 9,147,696	\$122,117,454

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

	<b>Statutory Value</b>	<b>Market Value</b>
<b>2020</b>	\$10,364,686,787	\$462,954,454,236
<b>2019</b>	\$10,364,686,787	\$364,411,098,428

## **APPENDICES**

**Financial Audit Directorate**

Ade Bankole, Manager  
C. Rebecca Berry, Auditor-in-Charge  
Steven Bitz, Auditor  
Jenny Hu, 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



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