



Audit Report



OIG-22-022

FINANCIAL MANAGEMENT

Management Letter for the Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2021 and 2020

December 20, 2021

**Office of Inspector General
Department of the Treasury**

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

December 20, 2021

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

FROM: Ade Bankole /s/
Acting Director, Financial Statement Audits

SUBJECT: Management Letter for the Audit of the Bureau of Engraving
and Printing's Financial Statements for Fiscal Years 2021 and
2020

We hereby transmit the attached subject management letter. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Bureau of Engraving and Printing as of September 30, 2021 and 2020, 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 Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

As part of its audit, KPMG issued the attached management letter dated December 17, 2021, that discusses matters involving deficiencies in internal control over financial reporting that were identified during the audit. These matters involved general information technology controls, financial reporting, and property, plant, and equipment.

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.

If you wish to discuss this report, please contact me at (202) 927-5329, or a member of your staff may contact Shiela Michel, Manager, Financial Statement Audits, at (202) 927-5407.

Attachment

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

December 17, 2021

The Deputy Inspector General, U.S. Department of the Treasury and
The Director of the Bureau of Engraving and Printing, U.S. Department of the Treasury:

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of the Bureau of Engraving and Printing (BEP or the Bureau) as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*, we considered BEP'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. The objective of our audit is to express an opinion on the Bureau's financial statements, in accordance auditing standards generally accepted in the United States of America, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. In accordance with *Government Auditing Standards*, we issued our report dated December 17, 2021 on our consideration of the BEP'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.

During our audit we identified six control deficiencies outlined in Exhibit B.

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 management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. The Bureau's responses to the deficiencies identified in our audit are outlined in Exhibit B. 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

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A. General Information Technology Controls

A.1 Vulnerability Management Weakness

BEP management has not designed and implemented a sufficient security management control for the BEP Wide Area Network (WAN) Local Area Network (LAN) that includes adding identified vulnerabilities to Plans of Actions and Milestones (POA&Ms) in a timely manner. Specifically, POA&Ms are only created annually during the security assessment and authorization process, and timeframes for remediating critical, high, medium and low vulnerabilities from the identification date have not been sufficiently defined in its policies and procedures.

Recommendation

We recommend that BEP management:

1. Design and implement a sufficient security management control for the BEP WAN LAN that includes adding identified vulnerabilities to POA&Ms in a timely manner; and
2. Remediate vulnerabilities that are added to POA&Ms in timely manner, in line with TD P 85-01 and NIST 800-53 guidance.

A.2 Lack of Independence for Oracle Periodic Access Reviewers

Management's periodic review of Oracle Manufacturing System Suite (MSS) user access was not designed to include a review of access by independent individuals. Specifically, four of seven authorized reviewers reviewed and recertified their own access.

Recommendation

We recommend that BEP management prevent users from reviewing and recertifying their own access to Oracle MSS, by authorizing a secondary independent reviewer (such as a reviewer's supervisor) to perform the access reviews of the primary reviewers with access to Oracle MSS.

A.3 User Inactivity Monitoring Needs Improvement

BEP management did not disable user accounts with more than 90 days of inactivity for users who had never logged into the BEP LAN WAN. Specifically, six user accounts that have been inactive for over 90 days were not disabled.

Recommendation

We recommend that BEP management enforce existing requirements of removing BEP LAN WAN accounts that have been inactive for over 90 days for accounts that have never been logged into the system.

A.4 Management's Response

NFR No.	Description	Management's Response
IT-01	Vulnerability Management Weakness	Concur
IT-02	Lack of Independence for Oracle Periodic Access Reviewers	Concur
IT-03	User Inactivity Monitoring Needs Improvement	Concur

B. Financial Reporting

B.1 Ineffective Controls over disclosures for Employee Retirement and Postretirement Benefits Other than Pensions

Controls over the review of the footnote disclosure for Employee Retirement and Postretirement Benefits Other than Pensions (Footnote 9) did not operate effectively. Specifically, incorrect agency contribution rates and service cost factors were used to calculate required disclosures.

Recommendation

We recommend BEP management update existing procedures and related practices to ensure the correct information is used in calculating required disclosures for Footnote 9.

B.2 Ineffective Review of Non-GAAP Policies

Controls over the review of Non-Generally Accepted Accounting Principles (GAAP) policies did not operate effectively. Specifically, management did not accurately assess the quantitative impact of the Non-GAAP policy related to the Federal Employee’s Compensation Act (FECA) actuarial liability balance.

Recommendation

We recommend BEP management:

1. update the policies and procedures to include a review of current policies for GAAP compliance, and
2. provide additional training to the control owners of the identification and review of non-GAAP policies.

B.3 Management’s Response

NFR No.	Description	Management’s Response
01	Ineffective Controls over disclosures for Employee Retirement and Postretirement Benefits Other than Pensions	Concur
03	Ineffective Review of Non-GAAP Policies	Concur

C. Property, Plant and Equipment

C.1 Untimely Recording of Assets Placed in Service

Controls over the review of inactive Construction-in-Progress (CIP) were not operating effectively. Specifically, in Q4 of 2021 BEP identified projects that should have been placed in service in prior fiscal years. When BEP placed these assets in service all of the depreciation expense was incorrectly included in the current year.

Recommendation

We recommend BEP management train project managers to better assess the capital project status and provide this information to the Office of fFinancial Management.

C.2 Management’s Response

NFR No.	Description	Management’s Response
02	Untimely Recording of Assets Placed in Service	Concur

List of Criteria

We used the following sources as criteria for the findings described within this document:

- Committee of Sponsoring Organizations of the Treadway Commission Internal Control - Integrated Framework
- United States Government Accountability Office, Standards for Internal Control in the Federal Government , GAO-14-704G
- Financial Accounting Standards Board Accounting standards codification
- National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53
- Treasury Information Technology Security Program (TD P) 85-01
- Bureau of Engraving and Printing Information Technology Security Program No. 10-08.35
- Bureau of Engraving and Printing Financial Policy Manual
- Committee on National Security Systems Instruction (CNSSI), Security Categorization and Control Selection for National Security Systems, CNSSI No. 1253, 27 March 2014

Status of Prior Year Findings

Fiscal Year 2020 Management Letter Comments		Fiscal Year 2021 Status
NFR No.	NFR Name	
BEP-2020-01	Timely Removal of LAN WAN Inactive Accounts	Page B.1
BEP-2020-02	Oracle User Access Recertification Were Not Completed	Closed
BEP-2020-03	Timely Remediation of Known Issues	Closed
BEP-2020-04	Inadequate Policies and Procedures over Account Reconciliations	Closed
BEP-2020-05	Incomplete Journal Entry Log	Closed
BEP-2020-06	Ineffective Technical Topics Review	Closed
BEP-2020-07	Incomplete Journal Entry Population	Closed
BEP-2020-08	Ineffective Review of the Financial Reporting Fluctuation Analysis	Closed
BEP-2020-09	Ineffective Purchase Price Variance Control	Closed
BEP-2020-10	Ineffective Review of Non-GAAP Policies	Closed
BEP-2020-11	Ineffective Review of Journal Entries	Closed
BEP-2020-12	Untimely Recording of Assets Placed in Service	Page B.2

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