Audit Report

OIG-23-015

FINANCIAL MANAGEMENT

Management Letter for the Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2022 and 2021

December 16, 2022

Office of Inspector General
Department of the Treasury

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DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

OFFICE OF
INSPECTOR GENERAL

December 16, 2022

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

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

SUBJECT: Management Letter for the Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2022 and 2021

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 (BEP) as of September 30, 2022 and 2021, 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. 22-01, *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 15, 2022, that discusses matters involving deficiencies in internal control over financial reporting that were identified during the audit but were not required to be included in the auditors' report. These matters involved general information technology controls, cash balance reconciliation, and review of capital projects in construction in progress. BEP management's responses to the recommendations are included. These responses were not audited by KPMG. Management will need to include the proposed corrective action completion dates related to the recommendations in the Department of the Treasury's Joint Audit Management Enterprise System (JAMES).

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

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

December 15, 2022

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:

Gentlemen:

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, 2022, 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. 22-01, *Audit Requirements for Federal Financial Statements,* we considered the Bureau'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 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 15, 2022 on our consideration of the Bureau'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 deficiencies in internal control which are described in Appendix A. Appendix B presents the status of the prior year deficiencies.

The Bureau's responses to the deficiencies identified in our audit are outlined 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 the deficiencies in internal control identified during our audit. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

KPMG LLP

Appendix A

THE BUREAU OF ENGRAVING AND PRINTING

Management Letter Comments

1) Vulnerability Management Weakness

In FY 2021, we reported that Bureau of Engraving and Printing (BEP) management did not design or implement a sufficient security management control for the BEP Local Area Network / Wide Area Network (LAN WAN) which included adding identified vulnerabilities to Plans of Action and Milestones (POA&Ms) in a timely manner. Specifically, we noted that POA&Ms were created annually during the security assessment and authorization process, and that timeframes for remediating Critical, High, Moderate, and Low vulnerabilities had not been sufficiently established in policies and procedures.

In FY 2022, we determined that deficiencies continued to exist in the design and implementation of security management controls for the BEP LAN WAN which included adding identified vulnerabilities to POA&Ms in a timely manner, as management had not fully implemented corrective actions to address the prior year finding. In addition, the *Security Scanning Procedures for Supporting Patch and Vulnerability Management* were not updated to reflect a decreased frequency in vulnerability scanning until being superseded by the *Vulnerability Management Standard* in August 2022.

BEP management was reliant upon its annual security assessment and authorization to add identified vulnerabilities to POA&Ms, instead of adding identified vulnerabilities to POA&Ms on a timely basis in accordance with TD P 85-01 and NIST SP 800-53 guidance. Management implemented partial corrective actions during the period, including developing and documenting the Vulnerability Management Standard v 1.0 dated August 23, 2022, as well as creating a POA&M to track outstanding Critical and High vulnerabilities that were not remediated within the established timeframes. However, the standard was not finalized until 11 months into the audit scope period due to the level of coordination required to develop and approve the document.

Without well-defined continuous monitoring of devices or timely tracking and remediation of identified vulnerabilities, there is an increased likelihood that vulnerabilities could be exploited, which would compromise the confidentiality, integrity, and availability of the system and its data.

Recommendation

We recommend that BEP management:

1. Implement a sufficient security management control for the BEP LAN WAN that includes adding identified vulnerabilities to POA&Ms in a timely manner in accordance with the documented *Vulnerability Management Standard*; and

2. Remediate vulnerabilities that are added to POA&Ms in a timely manner in line with TD P 85-01 and NIST SP 800-53 guidance (FY 2021 recommendation).

Management Response

Management concurred with this finding and has addressed a portion of these findings in late August 2022, including Critical/High patches applied in a timely manner and the POA&M created and processed.

2) User Inactivity Monitoring Needs Improvement

Since FY 2020, we reported that BEP management did not disable inactive user accounts on the BEP Local Area Network/Wide Area Network (LAN WAN) in accordance with policy.

In FY 2022, we determined that deficiencies continued to exist in the operating effectiveness of controls to disable inactive LAN WAN user accounts. Specifically, we identified three active LAN WAN user accounts that had not been accessed in over 30 days, which is the inactivity threshold allowed by BEP policy.

BEP management indicated that the three user accounts were moved to a new Active Directory (AD) Organizational Unit (OU) that was not being captured in the automated script used to identify and disable LAN WAN accounts after 30 days of inactivity. The script was not updated to include the new OU because the office responsible for maintaining the script was not informed that the new OU had been created.

Untimely disabling of inactive user accounts increases the risk of users retaining unauthorized or inappropriate system access. Such access could allow an individual to advertently or inadvertently perform unauthorized activities that would impact the functionality of the system and compromise the confidentiality, integrity, and availability of its data.

Recommendation

We recommend that BEP management:

1. Ensure that all AD OUs are captured in the automated script used to identify and disable LAN WAN accounts after 30 days of inactivity, and

2. Enforce existing requirements to disable inactive LAN WAN user accounts in accordance with the threshold established by policy.

Management Response

Management concurred with this finding and recommendations and has begun taking steps to address the deficiencies and effectiveness of the current process of monitoring inactive user accounts.

3) Ineffective Controls Over the Cash Balance Reconciliation

BEP did not reconcile the March month end cash balance per the general ledger to the month end balance per Treasury’s Central Accounting Reporting System (CARS). In addition, BEP did not document the cause of an identified difference of $525,500.40 between the BEP payment register and CARS detail. BEP also approved the March 2022 cash reconciliation prior to the resolution of the identified difference.

The template that BEP uses for the cash reconciliation was redesigned in fiscal year 2022. However, BEP personnel were not adequately trained on how to design the template to meet all required reconciliation elements and performing the control.

Due to the account 101000 balance not being reconciled to the CARS balance, the Cash Balance reconciliation is not in compliance with TFM Chapter 5100, Section 5130. Additionally, the approval of the reconciliation prior to any documentation of the cause and resolution of the difference in the cash account increases the risk of a misstatement in the cash account and inaccurate financial reporting.

BEP subsequently resolved the reconciling difference prior to KPMG review, however, the resolution was not done timely.

Recommendation

We recommend that BEP management:

1. Design its control activities related to the monthly reconciliation of the cash accounts to include documentation of the reconciliation of the month end cash account 101000 balance to CARS, and

2. Enhance training and existing monitoring procedures to ensure internal controls over the monthly Cash Reconciliation are implemented as designed.

Management Response

Management concurred with this finding and recommendations. Management will ensure compliance with its existing policy and procedures related to the monthly reconciliation of the cash accounts, which require the documentation of the nature of the reconciling differences between the month end cash account 101000 balance and CARS. Management will enhance existing monitoring procedures to ensure compliance.

4) Ineffective Controls over the Review of Capital Projects in Construction in Progress

BEP did not properly implement controls related to the Quarterly Review of Capital Projects in Construction in Progress. Specifically, the Capital Project Assessment Form for quarter 1 for project 1939300015 did not contain the approval sign-off of the Project Manager, contained incorrect project costs of $1,115,611.35, and contained the Accounting Officer's approval signature even though the Accounting Officer's assessment had not been prepared or signed off by the Accounting Designee.

BEP personnel were not adequately trained in how to perform the control.

This control deficiency causes an increased risk of misstatement in the construction in progress and fixed assets accounts as well as a potential understatement in the accumulated depreciation account.

Recommendation

We recommend that the BEP management provide Project Managers, Program Managers, and Accounting Officers with ongoing training and enhance existing monitoring procedures to ensure internal controls over the Quarterly Review of Capital Projects in Construction in Progress are implemented as designed.

Management Response

Management concurred with this finding and recommendation. Additionally, management will initiate a process improvement plan to provide Project Managers, Program Managers, and Accounting Officers with ongoing training and enhance existing monitoring procedures to ensure internal controls over the Quarterly Review of Capital Projects in Construction in Progress are implemented as designed.

Appendix B

THE BUREAU OF ENGRAVING AND PRINTING

Status of Prior Year Management Letter Comment

Fiscal Year 2021 Management Letter Comment

1. Vulnerability Management Weakness

   Fiscal Year 2022 Status – Open (See Appendix A.1)

2. Lack of Independence for Oracle Periodic Access Reviewers

   Fiscal Year 2022 Status – Closed

3. User Inactivity Monitoring Needs Improvement

   Fiscal Year 2022 Status – Open (See Appendix A.2)

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

   Fiscal Year 2022 Status – Closed

5. Untimely Recording of Assets Placed in Service

   Fiscal Year 2022 Status – Closed

6. Ineffective Review of Non-GAAP Policies

   Fiscal Year 2022 Status – Closed

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