# Audit Report

OIG-24-021

**FINANCIAL MANAGEMENT**

## Management Letter for the Audit of the Alcohol and Tobacco Tax and Trade Bureau's Financial Statements for Fiscal Years 2023 and 2022

January 12, 2024

Office of Inspector General
Department of the Treasury

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DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

OFFICE OF
INSPECTOR GENERAL

January12, 2024

**MEMORANDUM FOR MARY RYAN, ADMINISTRATOR**
**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU**

**FROM:** Ade Bankole /s/
Director, Financial Audit

**SUBJECT:** Management Letter for the Audit of the Alcohol and Tobacco Tax and Trade Bureau's Financial Statements for Fiscal Years 2023 and 2022

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 Alcohol and Tobacco Tax and Trade Bureau (TTB) as of September 30, 2023 and 2022, 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. 24-01, *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 LLP issued the attached management letter dated January 8, 2024, that discusses a matter involving a deficiency in internal control over financial reporting that was identified during the audit. This matter involved lack of controls over the presentation of certain liabilities in the financial statements. TTB 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 R. Nikki Holbrook, Manager, Financial Audit, at (202) 597-1813.

Attachment

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

January 8, 2024

Mr. Richard K. Delmar
Deputy Inspector General
Department of the Treasury

Ms. Mary Ryan
Administrator
Alcohol and Tobacco Tax and Trade Bureau

Mr. Delmar and Ms. Ryan:

In planning and performing our audit of the financial statements of the Alcohol and Tobacco Tax and Trade Bureau (TTB) as of and for the year ended September 30, 2023, 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. 24-01, *Audit Requirements for Federal Financial Statements*, we considered TTB'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 TTB's internal control. Accordingly, we do not express an opinion on the effectiveness of TTB'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 January 8, 2024 on our consideration of the TTB'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 the following deficiency in internal control:

*Lack of Controls over the Presentation of Certain Liabilities*

TTB does not have controls in place to properly present the Cash Bond Liabilities and Offers-in-Compromise not Yet Accepted (OICs), as required by Green Book Principle 10, paragraph 10.02 which states, "Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system."

The lack of controls over the presentation of these liabilities occurred because TTB management did not update their reconciliation procedures after disaggregating the Other Liabilities financial statement line item into Cash Bond Liabilities and OICs on the balance sheet, as required by Green Book Principle 9, paragraph 9.04 which states, "Management analyzes the effect of identified changes on the internal control system and responds by revising the internal control system on a timely basis, when necessary, to maintain its effectiveness."

KPMG



As a result, the Cash Bond Liabilities were initially overstated and the OICs were understated by $630,000, which has been corrected by TTB Management.

We recommend that TTB management (1) design and implement updated reconciliation procedures for Cash Bond Liabilities, OICs, and each liability as presented on the Balance Sheet and (2) review existing policies over the review and approval of the Financial Statements to identify any aspects of the policies that may not be appropriately designed to validate the presentation of the Financial Statement amounts.

Management stated that they concur with our finding and recommendation.

There were no findings identified in the prior year.

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

Washington, DC

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