



Audit Report



OIG-17-022

FINANCIAL MANAGEMENT

Management Letter for the Audit of the Department of the Treasury's Fiscal Years 2016 and 2015 Financial Statements

December 2, 2016

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 2, 2016

**MEMORANDUM FOR KODY H. KINSLEY
ASSISTANT SECRETARY FOR MANAGEMENT**

FROM: James Hodge /s/
Director, Financial Audit

SUBJECT: Management Letter for the Audit of the Department of the
Treasury's Fiscal Years 2016 and 2015 Financial Statements

I am pleased to transmit the attached subject management letter. Under a contract monitored by our office, KPMG LLP (KPMG), an independent certified public accounting firm, audited the financial statements of the Department of the Treasury as of September 30, 2016 and 2015, and for the years then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

As part of its audit, KPMG issued the attached management letter dated December 1, 2016, that discusses one matter involving internal control and other operational matters that was identified during the audit, but was not required to be included in the auditors' reports.

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 with respect to this management letter.

Should you have any questions, please contact me at (202) 927-0009, or Ade Bankole, Manager, Financial Audit, at (202) 927-5329.

Attachment

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

December 1, 2016

Inspector General
Department of the Treasury:

In planning and performing our audit of the consolidated financial statements of the Department of the Treasury (Department), as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

We did not audit the financial statements of the Internal Revenue Service and the Office of Financial Stability, component entities of the Department. Those statements were audited by other auditors.

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 noted one matter involving deficiencies in internal control and other operational matters that is presented for your consideration. The comment and recommendation, which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operational efficiencies and are summarized as follows:

Improve Recording of Interest Revenue

The Bureau of the Fiscal Service (Fiscal Service) incorrectly recorded sequestered interest revenue earned in the prior year as interest revenue in the current year, which resulted in an overstatement of current year interest revenue for the Advances to the Unemployment Trust Fund account by approximately \$38 million. Fiscal Service did not record revenue consistent with the accounting standards in order to avoid a reciprocating reporting difference with the government-wide Treasury General Fund.

Recommendation

We recommend that Fiscal Service management develop and implement policies and procedures for ensuring interest revenue is always recorded consistent with the accounting standards.

Management Response

The Department concurs with the finding and has started working to implement policies and procedures for ensuring that interest revenue is always recorded consistent with the appropriate accounting standards. Fiscal Service management is considering a possible scenario that will resolve the issue. Fiscal Service management believes that it will be able to record revenue consistent with the accounting standards in order to avoid a reciprocating reporting difference with the government-wide Treasury General Fund.



Our audit procedures are designed primarily to enable us to form an opinion on the consolidated financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Department's organization gained during our work to make comments and suggestions that we hope will be useful to you. We would be pleased to discuss our comment and recommendation with you at any time.

The Department's response to the deficiency identified in our audit are described above. The Department's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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

Washington D.C.

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