



**OFFICE of the
INSPECTOR GENERAL**
U.S. GOVERNMENT PUBLISHING OFFICE

Date:

December 15, 2023

To:

Director, U.S. Government Publishing Office

From:

Inspector General, U.S. Government Publishing Office

Subject:

Management Letter – Fiscal Year 2023 Consolidated Financial Statements Audit

In connection with the audit of the U.S. Government Publishing Office Fiscal Year 2023 Consolidated Financial Statements, we are providing the attached management letter issued by the independent public accounting firm of KPMG LLP (KPMG). The management letter describes six deficiencies in internal controls identified during their audit, and nine recommendations intended to improve internal controls associated with financial reporting. KPMG is responsible for the attached management letter dated December 15, 2023, and the status of prior year recommendations, including closures.

We appreciate the courtesies extended to KPMG and our staff. If you have any questions or comments about this report, please do not hesitate to contact Lori Lau Dillard, Assistant Inspector General for Audit, at llaudillard@gpo.gov, or me at ndeahl@gpo.gov.

NATHAN J. DEAHL
Inspector General

Attachment



UNITED STATES GOVERNMENT PUBLISHING OFFICE

MANAGEMENT LETTER

FOR THE YEAR ENDED SEPTEMBER 30, 2023

**UNITED STATES GOVERNMENT PUBLISHING OFFICE
MANAGEMENT LETTER
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Table of Contents

| | |
|--|------------|
| Management Letter | 1 |
| Appendix A: Comments and Recommendations | A-1 |
| A. Processed Employee Pay Control Deficiency..... | A-1 |
| B. Insufficient Controls over Deposit Account Activities | A-1 |
| C. Materials and Supplies Expense Deficiencies | A-2 |
| D. Inventory Receipts Deficiencies | A-3 |
| E. Accrued Annual Leave Control Deficiency..... | A-4 |
| F. Insufficient Controls over Certain Acquisition Activities | A-4 |
| Appendix B: Status of Prior Year Comments | B-1 |



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

December 15, 2023

Director
United States Government Publishing Office

Inspector General
United States Government Publishing Office

To the Director and Inspector General of the United States Government Publishing Office:

In planning and performing our audit of the consolidated financial statements of the United States Government Publishing Office (GPO) 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, we considered GPO'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 GPO's internal control. Accordingly, we do not express an opinion on the effectiveness of GPO'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, 2023 on our consideration of GPO'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 of this letter. Appendix B presents the status of prior year comments.

This 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
Comments and Recommendations

A. Processed Employee Pay Control Deficiency (23-NFR-01)

GPO's control related to review of processed employee pay was not operating effectively in fiscal year (FY) 2023. Specifically, during control testing of five pay periods, pay in one pay period was recalculated for a sample of employees using processed pay and salary data that was extracted from an unrelated pay period.

The Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, Principle No. 10, *Design Control Activities*, states:

Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses.

The GAO Standards for Internal Control in the Federal Government, Principle No. 13, *Use Quality Information*, states:

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

There was an insufficient review performed by the Office of Finance that did not detect the use of data from an unrelated pay period.

Ineffective controls over review of processed employee pay increases the risk that a misstatement in personnel compensation and benefits expense will not be detected and corrected in a timely manner.

We recommend that GPO strengthen the controls related to review of processed employee pay.

B. Insufficient Controls over Deposit Account Activities (23-NFR-02)

The Office of Finance and Deposit Account Resolution Team (DART) did not identify a Depositor Account with a balance of \$140,232 that did not have activity within the last ten years and should have been written off.

The GAO Standards for Internal Control in the Federal Government, Principle No. 10, *Design Control Activities*, states:

Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment

component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses. The Office of Finance and DART did not design and implement an effective review control to identify the existence and accuracy of the Depositor Account balance. Additionally, GPO's corrective actions related to the prior-year condition were in progress as of June 30, 2023.

Without adequate controls over GPO's Depositor Account balance, an increased risk exists that misstatements in the Depositor Account balance will not be detected and corrected in a timely manner. Additionally, we projected that the June 30, 2023 Depositor Account balance may be overstated, and Miscellaneous Revenue may be understated by \$10,420,970.

We recommend that the GPO management:

1. Design and implement effective controls in accordance with its corrective action plan related to Depositor Account activities.
2. Perform an analysis of its Depositor Account balance to ensure that the customer deposit balances exist and are accurate.

C. Materials and Supplies Expense Deficiencies (23-NFR-03)

GPO's review and approval of inventory issuances was not operating effectively in FY 2023. Specifically, we identified 5 sample items where the Press Production Department could not provide supporting documentation to evidence the approval of the issuance. Additionally, GPO's direct mill accrual did not capture all direct mill shipments in FY 2022. Specifically, we identified one sample item totaling \$16,428 where the invoice was dated August 26, 2022 but the expense was not recorded until November 18, 2022.

The GAO Standards for *Internal Control in the Federal Government*, Principle No. 3, *Establish Structure, Responsibility, and Authority*, states:

The extent of documentation needed to support the design, implementation, and operating effectiveness of the five components of internal control is a matter of judgment for management. Management considers the cost benefit of documentation requirements for the entity as well as the size, nature, and complexity of the entity and its objectives. Some level of documentation, however, is necessary so that the components of internal control can be designed, implemented, and operating effectively.

The GAO Standards for Internal Control in the Federal Government, Principle No. 10, Design Control Activities, states:

Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses.

The GAO Standards for Internal Control in the Federal Government, Principle No. 13, Use Quality Information, states:

Management designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Information requirements consider the expectations of both internal and external users. Management defines the identified information

requirements at the relevant level and requisite specificity for appropriate personnel. The Press Production Department discarded supporting documentation related to approval of the issuances. Additionally, the parameters for the report used by the Office of Finance to calculate the direct mill accrual did not include all potential invoices needed for recording the liability as of September 30, 2022.

Incomplete supporting documentation for inventory issuances and insufficient review of inventory issued but not recorded increase the risk that misstatements in materials and supplies expense will not be detected and corrected. Additionally, we projected that the September 30, 2023 materials and supplies expense balance may be overstated by \$8,368,643.

We recommend that GPO management:

1. Strengthen its review and approval control for inventory issuances to ensure that supporting documentation for inventory issuances is retained.
2. Update the direct mill accrual procedures to include all potential invoices needed for recording materials and supplies expenses and related liabilities in the correct accounting period.

D. Inventory Receipts Deficiencies (23-NFR-04)

GPO's review and approval of inventory receipts entered in the accounting system was not adequately designed in FY 2023. Specifically, we identified one sample item where a receipt was entered against the wrong purchase order and one sample item where the unit price was entered as \$223.77/unit instead of \$2.2377/unit. Additionally, GPO's inventory accrual did not capture all inventory received in FY 2022. Specifically, we identified one sample item totaling \$206,308 where the inventory was physically received on September 28, 2022 but was not recorded until October 5, 2023.

The GAO *Standards for Internal Control in the Federal Government*, Principle No. 10, *Design Control Activities*, states:

Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses.

The GAO *Standards for Internal Control in the Federal Government*, Principle No. 13, *Use Quality Information*, states:

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

For the first item identified, the Inventory Management Specialist (IMS) entered the receipt under a different purchase order number for the same vendor when entering the receipt in the accounting system. For the second item identified, the unit price for the receipt was not converted by the IMS to align with the converted quantity before entry in the accounting system. Related to the inventory accrual, the Inventory Management

Department did not correctly identify and communicate the date the inventory was physically received to the Plant Operations Accounting Department.

Ineffective controls and insufficient communication related to the review and approval of inventory receipts increases the risk that misstatements in materials and supplies inventory will not be detected and corrected. Additionally, we projected that the September 30, 2023 materials and supplies inventory balance may be overstated by \$8,155,232.

We recommend that GPO management:

1. Correct the errors identified in the accounting system and design and implement a review and approval control for inventory receipts entered in the accounting system to ensure that the materials and supplies inventory receipts are recorded accurately.
2. Strengthen the communication and training requirements for Inventory Management and Plant Operations employees involved in the inventory process to ensure that inventory receipts are recorded in the correct accounting period.

E. Accrued Annual Leave Control Deficiency (23-NFR-05)

GPO's review control for the monthly accrued annual leave calculation was not operating effectively in FY 2023. Specifically, in our control testing of two months, we identified one month where management used the incorrect number of pay periods to calculate accrued annual leave.

The GAO *Standards for Internal Control in the Federal Government*, Principle No. 10, *Design Control Activities*, states:

Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses.

The review performed by the Office of Finance did not detect the use of incorrect formulas in the accrued annual leave calculation workbook.

Ineffective controls over the review of the annual accrual leave calculation increases the risk that a misstatement in the annual leave liability will not be detected and corrected in a timely manner. Specifically, the Office of Finance indicated that the accrued annual leave balance is overstated by \$10,000.

We recommend that GPO management strengthen its review control for the accrued annual leave calculation.

F. Insufficient Controls over Certain Acquisition Activities (23-NFR-06)

GPO's Contract Review Board (CRB) review of noncompetitive negotiated procurements valued at \$250,000 or more was not operating effectively in FY 2023. Specifically, we identified one review for a procurement valued at \$314,810 where Acquisition Services could not provide supporting documentation to evidence legal review and approval.

The GAO *Standards for Internal Control in the Federal Government*, Principle No. 10, *Design Control Activities*, states:

Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses.

GPO Directive 110-15F, *Contract Review Board*, Section 12(g), states:

For noncompetitive negotiated procurements valued at \$250,000 or more, the CO must provide the CRB Chairperson with a copy of all information and documentation justifying the requirement is properly awarded on a noncompetitive basis, including a copy of the written approval by the Managing Director, Customer Services, or the Managing Director, Acquisition Services, and a statement of no legal objection.

The contracting officer did not provide documentation related to the legal review and approval to Acquisition Services for retention.

Incomplete supporting documentation increases the risk that unauthorized procurements of goods or services will not be detected and corrected.

We recommend that GPO management work with its contracting officers to provide required supporting documentation in a timely manner for noncompetitive negotiated procurements valued at \$250,000 or more to evidence proper review and approval.

Appendix B
Status of Prior Year Comments

| FY 2022 Comment Number | FY Comment Originated | Title | FY 2023 Status of Comment Reported in FY 2022 |
|------------------------------|-----------------------------|---|---|
| 22-NFR-01 | 2022 | Insufficient Controls over Depositor Accounts Activities | Open, re-issued as 23-NFR-02. |
| 22-NFR-02 | 2022 | Insufficient Controls over Certain Printing and Binding Requisition Activities | Closed. |
| 22-NFR-03 | 2022 | Insufficient Controls over Unbilled Accounts Receivable Balances | Closed. |
| 22-NFR-04 | 2013 | Insufficient Controls over Certain Acquisition Activities | Closed (comment included in 23- NFR-06 differs from this comment). |