



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

**MANAGEMENT LETTER
REPORT NUMBER 18-07**

**Management Letter
FY 2017 Financial Statements**

January 19, 2018



Date

January 19, 2018

To

Acting Director, U.S. Government Publishing Office

From

Inspector General

Subject:

Management Letter—FY 2017 Financial Statements
Report Number 18-07

In connection with the audit of the U.S. Government Publishing Office's FY 2017 financial statements, the Office of Inspector General (OIG) is providing the attached letter to describe comments and recommendations intended to improve internal controls or other operating efficiencies associated with financial accounting. The findings and recommendations are detailed in the attached management letter.

We appreciate the courtesies extended to KPMG and to our audit staff. If you have any questions or comments about this report, please do not hesitate to contact me at (202) 512-0039.

A handwritten signature in black ink that reads 'Michael A. Raponi'.

MICHAEL A. RAPONI
Inspector General

Attachment

cc:

Acting General Counsel
Chief of Staff
Chief Financial Officer

UNITED STATES GOVERNMENT PUBLISHING OFFICE

MANAGEMENT LETTER

FOR THE YEAR ENDED SEPTEMBER 30, 2017

United States Government Publishing Office

Management Letter

For the Year Ended September 30, 2017

Table of Contents

Management Letter.....1

Appendix A: Non-Information Technology Comments and RecommendationsA-1

 A. Insufficient control activities and review within Acquisition Services (17-NFR-01)A-1

 B. Processing of Personnel Actions (17-NFR-02).....A-2

 C. Validation and Certification of Timesheets (17-NFR-03).....A-3

 D. Improper Recording of Fixed Assets Disposals (17-NFR-04)A-4

 E. Unbilled Accounts Receivable (17-NFR-05).....A-5

Appendix B: Status of Prior Year FindingsB-1



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

December 15, 2017

Acting Director
United States Government Publishing Office

Office of the Inspector General
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, 2017, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards*, issued by the Comptroller of the 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 consolidated 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.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized in Appendix A to this report. Appendix B presents the status of prior year findings. Comments involving internal control and other operational matters pertaining to the audit procedures performed over GPO's general and application controls over information technology systems that support the consolidated financial statements were communicated to you in a separate letter dated December 15, 2017.

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 GPO'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 these comments and recommendations with you at any time.

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

Non-Information Technology Comments and Recommendations

A. Insufficient control activities and review within Acquisition Services (17-NFR-01)

During our testing over various process areas, we noted that Acquisition Services is not following GPO's internal policies and procedures over the review and approval of procurements. Specifically, we noted the following:

1. For one out of six procurement samples in the amount of \$216,000, the Acquisition Services was unable to provide a Contract Review Board (CRB) memo.
2. For one out of six procurement samples in the amount of \$229,371, the procurement was only signed by two members of the CRB and the General Counsel but not reviewed and approved by three members of the CRB, as required by GPO policies.
3. For one out of nine procurement samples in the amount of \$260,903, there was a variance between the amount on the Purchase Requisition and the Purchase Order in excess of GPO's allowable difference of 10%, however, the procurement documents were not re-submitted to GPO's Office of Finance and Administration for approval.

There are inadequate controls in place to ensure that appropriate reviews and approvals are completed before purchase orders are issued.

Without adhering to GPO's procurement policy, there is an increased risk that unauthorized procurement of goods or services could occur without being detected.

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.

GPO Directive 110.15C U.S. Government Printing Office (GPO) Contract Review Board (CRB)

9. Composition, states that The CRB will consist of not less than three members.
10. Responsibilities (b) states that the CRB memorandum must be signed and dated by no fewer than three (3) CRB members, including the Chairperson, CRB. Concurrence or nonconcurrence of each CRB member must be indicated by his or her dated signature on

the CRB memorandum, together with any reasons for nonconcurrence. The memorandum shall be included in the official contract file and shall be available for immediate review by any authorized person. In the event that one or more CRB members do not concur with the CO's proposed action, the Board members may consult jointly to ensure that all facts have been considered before returning the proposed action to the CO.

11. Actions Requiring Referral to the CRB. The actions cited below shall be referred to the CRB for its review. In preparing for Board submission, the factors set forth under the applicable action and any other appropriate information shall be addressed in addition to—not in lieu of—the requirements of Subsection 10.a above.

A. Prior to award

- (1) Proposed award over \$100,000 in total value or an award involving PII or other sensitive information, regardless of total dollar value.

We recommend that:

1. GPO implement a control that requires a secondary review of new contracts and/or modifications to existing contracts that are over \$100,000, before execution, to ensure that such contracts and modifications are properly reviewed and approved by a minimum of three members of the CRB in compliance with the requirements of GPO Directive 110.15C.
2. GPO strengthen their controls to ensure Contracting Officers are following the policies and procedures in place regarding the review and approval of purchases.

B. Processing of Personnel Actions (17-NFR-02)

During our testwork over new hires and terminations, we noted that GPO's controls over the processing of the Standard Form 52, *Request for Personnel Action* (SF-52) were not operating effectively. Specifically, we noted that for 4 of the 30 employees tested, the SF-52 was signed by someone who is not authorized to sign the SF-52. In addition, for 3 of the 30 employees tested, the SF-50 was approved before the review and approval of the SF-52s. We noted that despite the inappropriate approvals, these employees were properly hired or terminated and did not receive pay before their hire date or after their separation date.

Human Capital personnel have not been appropriately informed of GPO's policies and procedures over the review and approval of the SF-52s.

Without proper internal controls in place to ensure information processed is being reviewed and approved by the appropriate individuals, personnel files could contain incorrect information which could lead to misstatements in personnel and benefit expense.

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 Office of Personnel Management (OPM) Guide to Processing Personnel Actions states the following:

- The SF-52 is used by supervisors and managers to request position actions, employee actions, and actions involving both a position and an employee, such as the establishment and filling of a position. Employees may also use the form to notify the agency of their resignation or retirement, to request Leave without Pay (LWOP) and to request a name change. The personnel office uses the form to record staffing, classification, and other personnel determinations, and then uses the information to prepare the SF-50.
- Most personnel actions must be approved by the appointing officer on or before their effective dates. An appointing officer is an individual in whom the power of appointment is vested by law or to whom it has been legally delegated. Only an appointing officer may sign and date the certification in Part C-2 of the Standard Form 52 or block 50 and 49 of the Standard Form 50 to approve an action.

We recommend that GPO strengthen their internal controls in place over the review and approval of personnel actions by ensuring that the delegation of authority is limited to authorized personnel.

C. Validation and Certification of Timesheets (17-NFR-03)

During our testwork over payroll and the validation and certification of timesheets, we noted that GPO's controls over the validation and certification of timesheets is not operating at a level that is adequate to prevent or detect errors or misstatements. For 1 of the 42 timesheets tested, we noted that the employee's timesheet included hours worked the last day of the pay period that were certified by the employee's supervisor prior to the end of the pay period. In addition, for 1 of the 42 timesheets tested, the employee's certified timesheet included coding errors. The employee's regular hours were correctly coded at the regular base rate, while annual leave and overtime hours were incorrectly coded at the night differential rate. The employee selected the incorrect shift when entering their hours on their timesheet. As a result, the employee was overpaid \$424.

The above issues occurred due to (1) a lack of effective automated controls in WebTA that prevent supervisors from certifying timesheets before the end of the pay period and (2) supervisory review of timesheets not being performed at a level of detail adequate to identify errors in coding.

Without proper review and approval of timesheets by supervisors and after all time is worked, there is an increased risk that hours reported in WebTA may not be accurate, leading to misstatements in personnel and benefits expense.

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.

We recommend that GPO management implement effective controls to prevent supervisors from certifying timesheets before the end of the pay period. We also recommend that GPO strengthen their internal controls over supervisory and timekeeper's review of timesheets so that reviews are performed at the appropriate level of precision to ensure that employees' hours are accurately coded.

D. Improper Recording of Fixed Assets Disposals (17-NFR-04)

During our testwork over capital assets, we noted that GPO is not following their internal policies and procedures over the recording of disposals to timely remove assets from the general ledger. For 3 out of 5 fixed asset disposals, we noted the removal date from the general ledger was between 4.5 months and 6.5 months after the last approval date on the Unserviceable Property Report (UPR). In addition for one out of 5 fixed asset disposals, we noted the disposal was not included on a UPR for FY 2017.

The Quality Control and Inventory Management group is responsible for approving the disposal method of assets and then providing the approved Return to Stores Forms to the Financial Reporting group to remove the asset from the financial records. The Quality Control and Inventory Management group is not providing these forms to the Financial Reporting group timely, thus causing delays in removing the items from the general ledger.

Without proper controls in place to ensure the general ledger is updated timely for the disposed assets, there is an increased risk that capital assets and accumulated depreciation could be misstated.

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.

We recommend that GPO develops and implement policies and procedures to ensure that:

1. Disposed assets are timely and accurately removed from the general ledger.
2. Fully depreciated items are appropriately reviewed and evaluated for removal from the general ledger.

E. Unbilled Accounts Receivable (17-NFR-05)

During our testwork over unbilled accounts receivable balance as of September 30, 2017, we noted that internal controls over the recording and reviewing of transactions for this account need to be strengthened. Specifically, we noted that for one sample out of 15 tested related to a fixed cost contract where the billing amount cannot exceed \$7,283, however, GPO recognized as revenue and unbilled accounts receivable for this contract costs in the amount of \$11,871 over the \$7,283 billing limit, for a total billed amount of \$19,154.

There are inadequate policies and procedures in place to review and analyze unbilled accounts receivable at year-end to ensure that transactions have been properly reviewed and accounted for.

Unbilled accounts receivable and revenue as of and for the fiscal year ended September 30, 2017 were overstated by \$11,871. Inadequate controls over unbilled accounts receivable increases the risk that the financial statements could be materially misstated at fiscal year-end.

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.

We recommend that GPO management strengthen their policies and procedures over the review of unbilled accounts receivable balance to ensure that revenue and accounts receivable for all jackets that have fixed cost contracts are properly adjusted throughout the fiscal year and at fiscal year-end.

Status of Prior Year Findings

FY 2016 Comment Number	FY Comment Originated	Title	FY 2017 Status of Comment Reported in FY 2016
16-NFR-01	2015	Validation and Certification of Timesheets	Open. See 17-NFR-03.
16-NFR-02	2012	Improper Recording of Fixed Asset Disposals	Open. See 17-NFR-04.
16-NFR-03	2013	Insufficient Control Activities and Review within Acquisition Services	Open. See 17-NFR-01.
16-NFR-04	2009	Processing of Personnel Actions.	Open. See 17-NFR-02.
16-NFR-06	2016	Insufficient Controls over Inventory Held by Others	Closed.
16-NFR-07	2013	Insufficient Controls over Financial Reporting	Closed.