



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

---

**MANAGEMENT LETTER  
REPORT NUMBER 20-03**

---

**Management Letter  
FY2019 Financial Statements**

**December 13, 2019**

---



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

---

**Date**

December 13, 2019

**To**

Director, U.S. Government Publishing Office

**From**

Inspector General

**Subject:**

Management Letter – Fiscal Year 2019 Financial Statements  
Report Number 20-03

In connection with the audit of the U.S. Government Publishing Office (GPO) FY 2019 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 Mr. Freddie W. Hall, Assistant Inspector General for Audits at (202) 512-1597 or me at (202) 512-0039.

A handwritten signature in black ink, appearing to read 'Michael P. Leary'.

Michael P. Leary  
Inspector General

**Attachment**

**Cc:**

Acting Deputy Director  
Chief Financial Officer  
Acting Chief of Staff  
Acting General Counsel



**UNITED STATES GOVERNMENT PUBLISHING OFFICE**

**NON-INFORMATION TECHNOLOGY  
MANAGEMENT LETTER  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**United States Government Publishing Office**

**Non-Information Technology  
Management Letter**

**For the Year Ended September 30, 2019**

**Table of Contents**

<b>Management Letter</b> .....	1
<b>Appendix A: Non-Information Technology Comments and Recommendations</b> .....	A-1
A. Insufficient Controls over Certain Personnel Actions Activities .....	A-1
B. Insufficient Control Activities and Review of the Work In Process Calculation .....	A-2
C. Insufficient Control Activities and Review within Acquisition Services.....	A-2
D. Insufficient Controls over Certain Printing and Binding Requisition Activities.....	A-4
<b>Appendix B: Status of Prior Year Non-Information Technology Findings</b> .....	B-1



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

December 12, 2019

Director  
United States Government Publishing Office

Inspector General  
United States Government Publishing Office:

In planning and performing our audit of the financial statements the United States Government Publishing Office (GPO), as of and for the year ended September 30, 2019, 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 the 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.

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 12, 2019 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 noted deficiencies in internal control related to Non-Information Technology (IT) which are described in Appendix A of this letter. A deficiency in internal control related to IT will be presented in a separate letter addressed to you. Appendix B presents the status of prior year Non-IT findings.

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**  
**Non-Information Technology Comments and Recommendations**

**A. Insufficient Controls over Certain Personnel Actions Activities (19-NFR-01)**

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) and Standard Form 50, *Notice of Personnel Action* (SF-50) were not operating effectively. Specifically we noted the following:

1. For one of the 27 new hires and terminations samples tested, the step or rate and total salary/award per the SF-52 did not agree to the SF-50.
2. For one of the 27 new hires and terminations samples tested, the employee's SF-52 was not properly approved as there is no evidence of the Chief Human Capital Officer (CHCO) or authorized delegate's signature in Part C-2 of the SF-52.

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 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."

The exceptions noted above were due to insufficient controls to ensure that Human Capital personnel have adequate knowledge of the specific GPO policies and procedures over the review and approval of the SF-52s and SF-50s.

Without proper internal controls in place to ensure that personnel actions are approved by an appointing officer or that information in the SF-52 and SF-50 is reviewed and approved

accurately, personnel files could contain incorrect information which could lead to misstatements in personnel and benefit expense.

We recommend that GPO strengthen internal controls over the review and approval of personnel actions by ensuring that the information in the SF-52s and SF-50s match. Additionally, we recommend that GPO ensure that the SF-52s are approved by an appointing official prior to generating the SF-50s.

**B. *Insufficient Control Activities and Review of the Work in Process Calculation (19-NFR-02)***

Based on our testing of the March 2019 Work in Process calculations performed by accounting staff, we noted that the staff used several incorrect inventory values in completing the Work in Process calculations.

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 exception noted above occurred because the review of the Work in Process calculations did not include validating that the prices used in the calculations were accurate and agreed to the February 2019 Historical Report.

The use of the incorrect inventory values resulted in a total difference of \$27,626 in the March 2019 Work in Process calculation. The lack of a thorough review of the Work in Process calculations increases the risk that the Work in Process balance as of September 30 could be misstated.

We recommend that GPO management enhance the review procedures over the Work in Process calculations to ensure that the correct prices are used in the calculations.

**C. *Insufficient Control Activities and Review within Acquisition Services (19-NFR-03)***

During our testing over various process areas, we noted that Acquisition Services did not always follow GPO’s internal policies and procedures regarding the review and approval of certain procurements. Specifically, we noted the following:

1. During our Contract Review Board (CRB) testing, we noted one of the individuals that approved a procurement action, as a part of the CRB, also signed the contract as the Contracting Officer although prohibited by GPO policies.
2. During our testwork over six contractual services expense, we noted the following:
  - Acquisition Services was unable to provide a purchase order signed by the Contracting Officer for one item totaling \$563,910.

- Acquisition Services was unable to provide the purchase requisition for one item. The related sample totaled \$5,128.
  - The date the contract was signed by the Contracting Officer for one item was nine months after the effective date. The related sample totaled \$134,666.
3. During our fixed asset additions testing, we noted for one out of four fixed asset additions tested, although the purchase requests were properly approved, two of the related contract award modifications were signed by the Contracting Officer more than two months after the effective date. The two contract award modifications were for \$270,235 and \$192,000 respectively.

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 110.15D - Contract Review Board (CRB) - As of July 17, 2019*

- Section 9. Composition, states “The CRB will consist of not less than three members selected as follows:
  - a. Chairperson:
    - (1) The Chief, Agency Procurement Services (Central Office or Regional Operations) or Chief, Acquisition Services; or, a designee in an acting capacity,
    - (2) A PG-15 Contracting Officer; or,
    - (3) A PG-14 Contracting Officer.
  - b. Second Member:
    - (1) A PG-Contracting Officer; or,
    - (2) A PG-14 Contracting Officer; or,
    - (3) A PG-13 Contracting Officer.
  - c. Third Member:
    - (1) A PG-Contracting Officer; or,
    - (2) A PG-14 Contracting Officer; or,
    - (3) A PG-13 Contracting Officer.

Contracting Officers who have made decisions regarding, or are required to sign, the award documents of a particular procurement shall not participate in that CRB action.”

- Section 13. Actions Requiring Referral to the CRB, states “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 Section 12 above.
  - a. Prior to Award
    - (1) Proposed award over \$250,000 in total value (with the exception of 12.g above which have legal sufficiency by OGC (Office of the General Counsel) and approval by the Managing Director) or an award involving PII or other sensitive information, with an estimated value over \$50,000.”

The exceptions noted above were due to insufficient controls in place to ensure that appropriate reviews and approvals are obtained before purchase orders are issued.

Without adhering to GPO's procurement policy, there is an increased risk that procurements requiring CRB approval may not be appropriately approved and unauthorized procurement of goods or services could occur without being detected.

We recommend that GPO:

1. Implement controls to ensure that contracts and contract modifications that are required to be reviewed by the CRB, are signed by individuals that did not participate in the CRB review process.
2. Strengthens its internal controls to ensure Contracting Officers are following the policies and procedures in place regarding the timely review and approval of purchases and the maintenance of documentation after approval of purchases.

***D. Insufficient Controls over Certain Printing and Binding Requisition Activities (19-NFR-04)***

During our testing over the CRB actions, we noted that for one of the 35 CRB sample items tested, GPO's Customer Service department was unable to provide evidence that the customer agency official that signed the SF-1, *Printing and Binding Requisition (SF-1)*, had authorization to do so on behalf of the customer agency. This contract item totaled \$1,151,474.

Purchasing Procurement Regulations (PPR) - GPO Publication 305.3 (Rev. 4-14) - in PPR 8-1 Section 4. Requisition Forms, states "Printing and Binding Requisition, are the basic forms used to requisition printing, binding, related supplies, and related services from the GPO Central Office or from Regional Offices [...] The requisition must be signed by an authorized agency representative."

The exception noted above was due to insufficient controls in place to ensure that the SF-1 is signed by an official at the customer agency who is authorized to sign these type of forms.

Without adherence to GPO's procurement policy, there is an increased risk that procurement of commercial printing could occur without all of the required approvals.

We recommend that GPO design and implement controls to ensure that the SF-1 is completed and signed by an authorized official prior to issuance.

**Appendix B**  
**Status of Prior Year Non-Information Technology Findings**

FY 2018 Comment Number	FY Comment Originated	Title	FY 2019 Status of Comment Reported in FY 2018
18-NFR-01	2009	Processing of Personnel Actions	Open. See 19-NFR-01.
18-NFR-02	2018	Commercial Printing Contract Review Board Actions	Open. See 19-NFR-04.
18-NFR-03	2013	Review and Approval Controls within Acquisition Services	Open. See 19-NFR-03.
18-NFR-04	2018	Review of Invoices Related to Certain Expenses	Closed.
18-NFR-05	2018	Recording of Inventory Receipts	Closed.