



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

Date:

December 15, 2022

To:

Director, U.S. Government Publishing Office

From:

Inspector General, U.S. Government Publishing Office

Subject:

Management Letter on non-Information Technology – Fiscal Year 2022 Financial Statements

In connection with the audit of the U.S. Government Publishing Office fiscal year (FY) 2022 financial statements, we are providing the attached non-information technology (IT) management letter issued by the independent public accounting firm of KPMG LLP (KPMG). The non-IT management letter describes the deficiencies in internal controls identified during their audit, and recommendations intended to improve internal controls associated with financial reporting. KPMG is responsible for the attached management letter dated December 15, 2022 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 llaillard@gpo.gov, or me at mleary@gpo.gov.

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

Digitally signed by Michael P.
Leary
Date: 2022.12.15 12:51:53 -05'00'

MICHAEL P. LEARY
Inspector General

Attachment



UNITED STATES GOVERNMENT PUBLISHING OFFICE

**MANAGEMENT LETTER
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

United States Government Publishing Office

Management Letter

For the Year Ended September 30, 2022

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

December 15, 2022

Director
United States Government Publishing Office

Inspector General
United States Government Publishing Office:

In planning and performing our audit of the financial statements of the United States Government Publishing Office (GPO), as of and for the year ended September 30, 2022, 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 15, 2022 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.

The purpose of this letter is solely to describe the deficiencies 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. Insufficient Controls over Depositor Accounts Activities (22-NFR-01)

During our testwork, we noted that management's review control over the Depositor Accounts balance as of September 30, 2022 was not effectively designed to validate the reported balance. Specifically, management's review control did not detect the following:

- Two accounts with balances of \$10,652 and \$9,309, should have been written off, resulting in overstatements of the accounts in the total amount of \$19,961.
- One account with a balance of \$2,535,495 was overstated by \$1,374,657.

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. 16, *Internal Control System Monitoring*, states:

“Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.”

GPO's risk assessment process did not identify the existence and accuracy of the Depositor Accounts balance as a risk that required additional controls.

The September 30, 2022 Depositor Accounts balance is overstated by \$1,394,618. Without adequate controls over GPO's Depositor Account balance, there is an increased risk that misstatements in the Depositor Account balance will not be detected and corrected in a timely manner.

We recommend that GPO strengthen the controls related to Depositor Accounts activities to determine that Depositor Accounts balances are properly stated in accordance with United States (U.S.) generally accepted accounting principles.

B. Insufficient Controls over Certain Printing and Binding Requisition Activities (22-NFR-02)

During our testing over the Commercial Printing Contract Review Board (CRB) actions and related commercial printing expenses, we noted the following:

- One CRB sample in the amount of \$180,310 that although it went through the CRB process, it was excluded from the manual Commercial CRB tracking list;
- One CRB sample in the amount of \$21,509 improperly went through a local manager review rather than the full CRB review and was excluded from the manual Commercial CRB tracking list; and

- One CRB sample in the amount of \$1,903,345 had a purchase order that was signed by a member of the CRB for the procurement.

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 (CRB)* states:

“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.”

There are insufficient controls in place to ensure that (1) the records of all actions submitted to the CRB Board are maintained on the manual tracking list and (2) procurements are going through the proper CRB process as outlined in GPO Directive 110.15F.

Without adherence to GPO’s procurement policy and a properly maintained CRB tracking list, there is increased risk that procurement and payment of commercial printing expenses could occur without all the required reviews or proper approval.

We recommend that GPO design and implement controls to ensure that:

1. The Commercial CRB manual tracking list includes records of all actions submitted to the CRB Board that may result in current commercial printing expense transactions; and
2. Contracts and contract modifications that are required to be reviewed by CRB go through the proper approvals and follow the correct process as outlined in GPO Directive 110.15F.

C. Insufficient Controls over Unbilled Accounts Receivable Balances (22-NFR-03)

During our testwork, we noted that management did not have sufficient controls over the September 30, 2022 unbilled accounts receivable (AR) balances. Specifically, we noted the following:

- For one of five samples selected, a surcharge was incorrectly included, resulting in an overstatement of unbilled AR and revenue in the amount of \$17,317. The sample was part of the 951-M contract, for which GPO does not bill additional surcharges.
- For one of 17 disbursement samples selected, the revenue in the amount of \$6,956,266 and related expense in the amount of \$6,887,392 were incorrectly recorded in fiscal year 2023 instead of fiscal year 2022, when the cost was incurred and delivery to the customer occurred. There is a net impact on the financials of \$68,874.

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. 16, *Internal Control System Monitoring*, states:

"Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions."

GPO's risk assessment process did not identify the existence and accuracy of the unbilled AR balance as a risk that required additional controls.

The September 30, 2022 unbilled AR and revenue balances were overstated by \$17,317, as a result of the first finding above. In addition and as a result of the second finding, the unbilled AR and revenue were understated by \$6,956,266, and the commercial printing accrual and purchased printing expense were understated by \$6,887,392. Without adequate controls over GPO's unbilled AR balance, there is an increased risk that misstatements will not be detected and corrected in a timely manner.

We recommend that GPO strengthen the controls related to unbilled AR activities to determine whether the related balance is properly stated in accordance with U.S. generally accepted accounting principles.

D. Insufficient Controls over Certain Acquisition Activities (22-NFR-04)

During our testing over the various areas related to procurement activities, 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 during our testwork over three fixed asset additions and 19 other expense samples that Contracting Officers did not sign three contract awards timely. These three contract awards were executed after the contract effective date.

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."

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

Inadequate controls over procurement activities increase the risk of unauthorized procurement of goods or services.

We recommend that GPO strengthens its internal controls to ensure Contracting Officers are following the policies and procedures in place regarding the timely review and approval of purchases.

Appendix B
Status of Prior Year Comments

FY 2021 Comment Number	FY Comment Originated	Title	FY 2022 Status of Comment Reported in FY 2021
21-NFR-01	2009	Insufficient Controls over Certain Personnel Action Activities	Closed.
21-NFR-02	2013	Insufficient Controls over Certain Acquisition Activities	Open, re-issued as 22-NFR-04.
NFR-IT-2021-01	2021	Weakness Identified in the GBIS Separated Users Process	Closed.