U.S. GOVERNMENT PRINTING OFFICE
OFFICE OF INSPECTOR GENERAL

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From

Inspector General

Subject

Report on the Consolidated Financial Statement Audit of the Government Printing Office for Fiscal Years Ended September 30, 2009 and 2008
Report Number 10-02

This report contains the audit of the annual consolidated financial statements of the Government Printing Office (GPO) as of the fiscal years (FY) ended September 30, 2009 and 2008. We contracted with the independent public accounting firm of KPMG LLP (KPMG) to audit the consolidated balance sheet; statement of revenue and expenses; and statement of cash flows for the years then ended. The audits were conducted in accordance with auditing standards generally accepted in the United States; and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States.

Results of Independent Audit

KPMG expressed an unqualified opinion on the GPO consolidated financial statements as of the FYs ended September 30, 2009, and 2008, by concluding that the GPO financial statements were fairly presented, in all material respects, in conformity with generally accepted accounting principles (GAAP). KPMG's consideration of internal control over financial reporting resulted in two significant deficiencies[1], which KPMG did not

[1] A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

consider to be material weaknesses. Details on these two deficiencies, which were in the areas of financial reporting, and information technology are as follows:

1. Financial Reporting Controls

KPMG identified the following significant deficiencies related to financial reporting controls.

- **Review and Reporting of General Property, Plant and Equipment.** GPO recorded additions to General Property, Plant and Equipment (PP&E) in its subsidiary ledger and general ledger based on when cash disbursements were made for the assets instead of recording the PP&E when it was received and accepted by GPO. In addition, GPO recorded two advance payments totaling approximately $4.6 million as PP&E instead of as an advance.

- **Certain Reconciliation Controls.** Certain key reconciliations in the areas of expenses, unbilled accounts receivable, accounts payable and deposit accounts were not always performed timely and when performed, differences noted were not consistently investigated and resolved in a timely manner.

- **Controls over Compilation of Statement of Cash Flows.** Cash flows from operating activities and investing activities in the draft statement of cash flows were each initially misstated by approximately $3.7 million as a result of GPO misclassifying certain investing cash flows as operating activities. This misclassification was corrected in the final statement of cash flows.

2. Information Technology (IT) General and Application Controls

During FY 2009, deficiencies in the design and/or operations of GPO's IT general and application controls were noted in security management, access controls, configuration management, and contingency planning. The details of these conditions, several of which have been reported to management in prior years' audit reports, are as follows:

- **Security Management.** GPO made progress in FY 2009 to formalize GPO's established information security objectives and high level policy. However, KPMG noted the following conditions:

    - GPO's Business Information System (GBIS) and General Support System (GSS) have not received full authority to

operate in GPO's production environment. During the certification and accreditation process, conditions were identified that resulted in the issuance of an Interim Authority to Operate (IATO). Those conditions were not remediated as of September 30, 2009. KPMG also observed that: (i) the security plan for GBIS contained information that did not adequately reflect current processes in the GBIS environment, (ii) a section of the security plans for both GBIS and the GSS was incomplete, and (iii) elements of the risk assessment for the GSS were incomplete.

- Security awareness policies and procedures were not consistently enforced.

- The Memorandum of Understanding (MOU) that governs the development, management, operation, and security of the connection between the National Finance Center (NFC), GPO's payroll processor, and GPO's hosted system at Oracle's data center expired in March 2009 and has not been extended or reaffirmed.

- GPO did not implement procedures to review and update its Plans of Action and Milestones (POA&M) for IT security weaknesses on a quarterly basis.

- GPO's process for identifying, recording, and maintaining its system inventory has not produced a comprehensive, current inventory of both minor and major systems as well as related hardware and peripherals.

- **Access Controls.** KPMG noted the following access controls deficiencies:

  - GPO management was not consistently following documented policies and procedures for granting and reviewing access to the data center.

  - Access to GBIS was not appropriately restricted and monitored.

  - GPO did not have adequate user identification controls to verify the identity of users during phone calls requesting password resets from the Information Technology and Support (IT&S) Help Desk.

  - Comprehensive policies and procedures for granting access to the Local Area Network (LAN) had not been developed and formally documented.

  - The GPO Computer Security Incident Response Team (CSIRT) Framework and Procedures did not fully address the elements outlined in National Institute of Standards and Technology (NIST) Special Publication (SP) 800-61, Computer Security Incident Handling Guide.

- **Configuration Management.** KPMG noted that the development and implementation of configuration changes for GBIS did not adhere to strict project management and configuration management practices. In addition, during FY 2009, GPO management continued the development of a desktop patch management plan which started in FY 2008. However, GPO has not been able to complete the implementation of the patch management plan and process.

- **Contingency Planning.** GPO did not have a completed contingency plan for its GSS that would allow the complete recovery of operations in the event of a major disaster or outage. The IT&S contingency plan and strategy for the GSS was in the process of development. Additionally, GPO IT&S lacked standard operating procedures for several of its routine and critical processes including media backup and off-site storage, and LAN configuration management.

KPMG disclosed no instances of noncompliance with certain provisions of laws, regulations and contracts or other matters that are required to be reported under GAS.

Evaluation and Monitoring of Audit Performance

We reviewed the KPMG audit of the GPO consolidated financial statements by:

- Evaluating the independence, objectivity, and qualifications of the auditors and specialists;
- Reviewing the approach of and planning for the audit;
- Attending key meetings with auditors and GPO officials;
- Monitoring the audit progress;
- Examining audit documentation;
- Reviewing the auditors' reports; and
- Reviewing the financial statements and associated footnotes.

KPMG is responsible for the attached reports dated January 8, 2010, and the conclusions expressed in the reports. Our review, as differentiated from an audit in accordance with GAS, was not intended to enable us to express, and accordingly we do not express, an opinion on GPO's financial statements, the effectiveness of internal controls, or compliance with laws and regulations. However, our monitoring review, as limited to the procedures listed above, disclosed no instances in which KPMG did not comply, in all material respects, with GAS.

If you have any questions or comments about this report, please do not hesitate to contact me, or Mr. Kevin Carson, Assistant Inspector General for Audits and Inspections, at (202) 512-2009 or through email at kcarson@gpo.gov.

J. Anthony Ogden
Inspector General

Attachment

cc:
Deputy Public Printer
Chief Management Officer
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