



JAN 27 2017

INFORMATION

MEMORANDUM FOR THE SECRETARY

A handwritten signature in black ink, appearing to read "S. Dahl".

FROM: SCOTT S. DAHL
Inspector General

SUBJECT: Notification of FY 2017 DOL Consolidated
Financial Statement Audit

The purpose of this memorandum is to inform you that the OIG contracted with the independent certified public accounting firm KPMG LLP (KPMG) to conduct an audit of the U.S. Department of Labor's (DOL) financial statements, which are comprised of the consolidated financial statements and the sustainability financial statements, as of and for the fiscal year ended September 30, 2017, that will be contained within DOL's *Agency Financial Report (AFR)*, for Fiscal Year (FY) 2017. Since this is a consolidated Department-wide audit rather than a series of individual agency audits, we will conduct one entrance conference in the National Office. The entrance conference with the Principal Deputy Chief Financial Officer (CFO) and appropriate agency officials will be held on January 30, 2017.

The audit will be performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. The audit will cover all facets of the Department, and fieldwork will be conducted in the National Office, regional offices, and district offices. In the regional and district offices, individual entrance conferences will be scheduled as appropriate at the time the auditors are ready to begin work at those locations.

The objectives and scope of the audit include:

- With respect to the consolidated financial statements:
 - Determining whether the financial statements present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the assets, liabilities, and net position; net costs; changes in net position;

budgetary resources; and reconciliation of net costs to budgetary obligations as of, and for the years ended, September 30, 2017, and 2016.

- Determining the sustainability of social insurance as of September 30, 2017, 2016, 2015, 2014, and 2013; and the statements of changes in social insurance amounts for the years ended September 30, 2017, and 2016; and the related notes to the sustainability financial statements.
 - Determining whether the internal controls of the Department provide reasonable assurance of achieving the internal control objectives described in paragraph 2.12 of OMB Bulletin No. 15-02.
 - Determining whether the Department has complied with laws and regulations that could have a direct and material effect on the consolidated financial statements and certain laws and regulations that OMB identified for which compliance can be objectively measured.
- With respect to federal financial management systems, determining whether those systems substantially comply with the financial management systems requirements, applicable accounting standards, and the United States Standard General Ledger at the transaction level.
 - With respect to supplementary information in the AFR, performing the procedures described in AU-C Section 725, Supplementary Information in Relation to the Financial Statements as a Whole.
 - With respect to required supplementary information and required supplementary stewardship information, referred to in paragraph 2.1 of OMB Bulletin No. 15-02, performing the procedures described in AU-C Section 730, Required Supplementary Information.
 - With respect to other information in the AFR, performing the procedures described in AU-C Section 720, Other Information in Documents Containing Audited Financial Statements.
 - With respect to the Federal Employees' Compensation Act (FECA), issuing two reports by KPMG on the FECA Special Benefit Fund:
 - The first report, conducted in accordance with Statements on Standards for Attestation Engagements No. 18, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*, will be a service auditor's control report on the description and design of controls placed in operation by the DOL Office of Workers' Compensation Programs (OWCP) and tests of their operating effectiveness related to the administration of the FECA program.

- The second report will consist of two separate reports. The first report will be an opinion on the total actuarial liability; net intra-governmental accounts receivable; and total benefit expense as of, and for the year ending, September 30, 2017. The second report will be an agreed-upon procedures report on the schedule of actuarial liability; net intra-governmental accounts receivable; and benefit expense by agency as of, and for the year ending, September 30, 2017.
- Obtaining written representations from key members of DOL management.
- Obtaining responses from the Solicitor of Labor (SOL) and a summary of those responses from the Office of the Chief Financial Officer (OCFO) concerning litigation, claims, and assessments.
- Testing the accounting records and other procedures as considered necessary to express an opinion regarding your consolidated financial statements and the FECA schedules.

This engagement will be designed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, but not to provide assurance on internal control over financial reporting, nor to provide an opinion on overall compliance with laws and regulations. KPMG will also perform tests with certain provisions of the Federal Financial Management Improvement Act of 1996.

The OIG will review and transmit to you KPMG's Independent Auditors' Report on the financial statements, reports on internal control, compliance and other matters. These reports will be issued together in the Department's AFR. The OIG will also review and transmit to you the Management Advisory Comments that will report items on which KPMG believes DOL management should take corrective action but that do not rise to the level of significant deficiencies or material weaknesses that must be included in the auditors' report on internal control.

Financial statements are the responsibility of management. This responsibility includes maintenance of adequate records and related internal control policies and procedures, the selection and application of accounting principles, and the safeguarding of assets. In addition, management is responsible for compliance with applicable laws and regulations relevant to DOL.

In order to meet the OMB November 2017 due date, it is imperative that DOL personnel respond to the numerous data requests that will be issued for this audit within the time requested. For prior-year findings and recommendations, corrective actions must be completed and implemented no later than June 30, 2017, to ensure inclusion in the FY 2017 consolidated financial statement audit report. We are implementing this deadline to ensure that audit fieldwork will be completed and the report issued timely.

Any corrective actions completed after that date will be reviewed on a case-by-case basis and may not be reported until FY 2018.

Should you or your staff have any questions at any time during the audit, please contact Joseph L. Donovan, Jr., Audit Director, Office of Audit, at (202) 693-5248.

DISTRIBUTE TO THE HEADS OF ALL DOL AGENCIES