



January 14, 2021

INFORMATION

MEMORANDUM FOR THE SECRETARY

Larry D. Turner

FROM: LARRY D. TURNER
Acting Inspector General

SUBJECT: Notification of the FY 2021 DOL Financial
Statement Audit

Please be advised the Office of Inspector General (OIG) has contracted with an independent certified public accounting firm, KPMG LLP, 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 (FY) ending September 30, 2021, that will be contained within DOL's *Agency Financial Report (AFR)*, for FY 2021.

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. 19-03, *Audit Requirements for Federal Financial Statements*. The audit will cover all facets of DOL, and fieldwork will be conducted remotely.

Since this is a consolidated, DOL-wide audit, rather than a series of individual agency audits, we will conduct one entrance conference on January 21, 2021, with the Chief Financial Officer and appropriate agency officials.

Objectives and Scope of the Audit

- With respect to the consolidated financial statements, we will be:
 - Determining whether the financial statements presented fairly, in all material respects, and 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 ending, September 30, 2021, and 2020;
 - Determining the sustainability of social insurance as of September 30, 2021, 2020, 2019, 2018, and 2017; and the statements of changes in social insurance amounts for the years ending September 30, 2021, and 2020; as well as the related notes to the sustainability financial statements;
 - Determining whether the internal controls of DOL provided reasonable assurance for achieving the internal control objectives described in paragraph 2.11 of OMB Bulletin No. 19-03; and
 - Determining whether DOL 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, we will be determining whether those systems substantially complied 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, we will be 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. 19-03, we will be performing the procedures described in AU-C Section 730, Required Supplementary Information.
- With respect to other information in the AFR, we will be 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), we will be issuing two reports by KPMG on the FECA Special Benefit Fund, as follows:
 - The first report, conducted in accordance with Statements on Standards for Attestation Engagements No. 19 (as permitted for early implementation prior to July 15, 2021 effective date), *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 DOL's Office of Workers' Compensation Programs and tests of their operating effectiveness related to the administration of the FECA program.
 - The second report will consist of two separate reports: 1) 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, 2021; and 2) 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, 2021.
- With respect to the Longshore and Harbor Worker's Compensation Act (LHWCA) and District of Columbia Worker's Compensation Act (DCCA) Special Benefit Funds, we have contracted with KPMG to provide separate Independent Auditors' Reports on their financial statements.
- With respect to scope and methodology of the audit, we will be:
 - Obtaining written representations from key members of DOL management;
 - Obtaining responses from the Solicitor of Labor and a summary of those responses from the Office of the Chief Financial Officer concerning litigation, claims, and assessments; and
 - Testing the accounting records and other procedures as considered necessary to express an opinion regarding DOL's consolidated financial statements, the financial statements of LHWCA and DCCA, and the FECA schedules.

This engagement will be designed to obtain reasonable assurance about whether the financial statements were 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.

OIG will review and transmit to you KPMG's Independent Auditors' Report on the financial statements, and reports on internal control, compliance, and other matters. These reports will be issued together in DOL's AFR. OIG will also review and transmit to the Department 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's November 2021 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, 2021, to ensure inclusion in the FY 2021 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 2022.

Should you have any questions, please contact Laura Nicolosi, Acting Assistant Inspector General for Audit, at nicolosi.laura@oig.dol.gov or Sean Gilkerson, Audit Director, at gilkerson.sean@oig.dol.gov.

cc: HEADS OF ALL DOL AGENCIES