Independent Auditors’ Report

Secretary and Inspector General
U.S. Department of Labor

Report on the Financial Statements

The accompanying financial statements of the U.S. Department of Labor (DOL) comprise the consolidated financial statements and the sustainability financial statements. We have audited the consolidated financial statements, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of net cost and changes in net position and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

We have audited the 2015 sustainability financial statements, which comprise the statements of social insurance as of September 30, 2015, 2014, 2013, and 2012; the statements of changes in social insurance amounts for the year ended September 30, 2015; and the related notes to the sustainability financial statements.

Further, we were engaged to audit the 2016 sustainability financial statements which comprise the statement of social insurance as of September 30, 2016; the statement of changes in social insurance amounts for the year ended; and the related notes to the 2016 sustainability financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of the consolidated financial statements and the 2015 sustainability financial statements in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.
Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the 2015 sustainability financial statements.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the 2016 sustainability financial statements.

**Basis for Disclaimer of Opinion on the 2016 Sustainability Financial Statements**

As described in Note 1.W.2, DOL refined its methodology for estimating future excise tax income in fiscal year 2016. DOL was unable to provide sufficient analyses or other documentation to evidence that its methodology and certain underlying assumptions used in the determination of the present value of estimated future excise tax income for the current and new participants and related balances in the accompanying 2016 sustainability financial statements were prepared and fairly presented in accordance with U.S. generally accepted accounting principles. Therefore, we were unable to obtain sufficient, appropriate audit evidence for the present value of estimated future excise tax income for the current and new participants and related balances.

**Disclaimer of Opinion on the 2016 Sustainability Financial Statements**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the U.S. Department of Labor’s social insurance information as of September 30, 2016 and its changes in social insurance amounts for the year then ended. Accordingly, we do not express an opinion on the sustainability financial statements as of and for the year ended September 30, 2016.

**Opinions on the Financial Statements**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Labor as of September 30, 2016 and 2015, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Also, in our opinion, the sustainability financial statements referred to above present fairly, in all material respects, the U.S. Department of Labor’s social insurance information as of September 30, 2015, 2014, 2013, and 2012 and its changes in social insurance amounts for the year ended September 30, 2015, in accordance with U.S. generally accepted accounting principles.

**Emphasis of Matter**

As discussed in Notes 1-W and 1-Y to the financial statements, the sustainability financial statements are based on management’s assumptions. These sustainability financial statements present the actuarial present value of DOL’s future expenditures to be paid to or on behalf of participants, the present value of estimated future income to be received from excise taxes, and the present value of estimated future expenditures for administrative costs during a projection period ending in 2040. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services.
and to meet obligations as they come due. The statements of social insurance and changes in social insurance amounts are based on income and benefit formulas in current law and assume that scheduled benefits will continue after the related trust fund is exhausted. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable. In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current law or policy is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability. Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material. Our 2015 opinion is not modified with respect to this matter.

Other Matters

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly, we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management’s Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information in the Message from the Secretary of Labor, Message from the Chief Financial Officer, and Other Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.
Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2016, we considered the DOL’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DOL’s internal control. Accordingly, we do not express an opinion on the effectiveness of DOL’s internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers’ Financial Integrity Act of 1982.

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 or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Exhibit I, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. A material weakness is a deficiency, or a 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. A significant deficiency is a deficiency, or a 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. We consider the deficiencies described in Exhibit I to be material weaknesses.

Had we been able to perform all of the procedures necessary to express an opinion on the 2016 sustainability financial statements, other matters involving internal control may have been identified and reported.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DOL’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or OMB Bulletin No. 15-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which DOL’s financial management systems did not substantially comply with: (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Had we been able to perform all of the procedures necessary to express an opinion on the 2016 sustainability financial statements, other matters involving compliance with certain provisions of laws, regulations, contracts, and grant agreements may have been identified and reported.
DOL’s Response to Findings

DOL’s responses to the findings identified in our audit is described in Exhibit II. DOL’s responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of DOL’s internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 15, 2016
1. Lack of Sufficient Information Technology General Controls over Key Financial Feeder Systems

During our testing of entity-level controls (ELC) and general information technology controls performed as part of the fiscal year (FY) 2016 audit of the U.S. Department of Labor’s (DOL) consolidated financial statements, we noted that management did not have consistent procedures in place to ensure:

- A sufficient risk assessment was conducted over the information technology (IT) control environment to identify the root causes of identified deficiencies,
- The performance of IT controls that functioned effectively in the past did not deteriorate, and
- The implemented milestones and corrective actions to remediate IT deficiencies were tracked and completed timely.

Specifically, management charged with oversight and accountability for the DOL IT control environment had not taken appropriate action to address ongoing pervasive deficiencies that had been identified in multiple key financial feeder systems and reported to management as a material weakness or significant deficiency since FY 2003. This control environment included general and application controls and system-generated reports (information produced by the entity) that support the completeness, accuracy, and validity of financial information. Table 1 below provides a summary of IT control deficiencies included in our audit reports on DOL’s consolidated financial statements since FY 2006.

Table 1: Summary of IT Control Deficiencies Included in Our Audit Reports Since FY 2006

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*Note: Beginning in FY 2014, we classified incident response deficiencies in the ELC category.*
In summary, during our FY 2016 testing of significant DOL financial and support systems in the four DOL agencies responsible for them, we identified 14 new control deficiencies, 41 previously-reported deficiencies that were not corrected or not corrected timely, and 19 previously-reported deficiencies for which DOL agencies completed sufficient corrective action in FY 2016.

We classified the deficiencies identified into the following categories: account management and system access settings, configuration management, system audit log configuration and reviews, and patching and vulnerability management.

The first category summarizes the identified deficiencies related to controls that were designed to help prevent unauthorized access to IT systems. Control deficiencies related to account management and system access settings increase the risk that current employees, separated employees, and/or contractors may obtain unauthorized or inappropriate access to financial systems and/or data. Such access could lead to unauthorized activities and/or inappropriate disclosures of sensitive data. System access setting control deficiencies may be exploited, in either a singular fashion or in combination, by a malicious user, which may affect the confidentiality, integrity, and/or availability of DOL systems and data. The specific FY 2016 deficiencies identified in this category were as follows:

**Account Management and System Access Settings**

- Certain application and network user accounts were not timely removed for separated users;
- Certain application and network separated users had active accounts and accessed their accounts after their separation dates;
- Contractor separation dates were not consistently maintained or monitored within department-wide Federal Human Resources listings or other consolidated listings for the timely removal of accounts of separated system users;
- Inactive accounts were not consistently disabled in a timely manner;
- Account management controls were not consistently performed, as evidenced by roles that were improperly authorized and provisioned in conflict with separation of duties principles, insufficient access re-certifications, lack of separation of duties matrices, and missing or insufficient access requests;
- Certain generic accounts did not have business justifications, and management could not identify who had access to the accounts; and
- Certain password and inactivity settings did not comply with the Office of the Chief Information Officer Computer Security Handbook.

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**Legend**

- Included in audit report in the FY
- Not included in audit report in the FY
- Control not in scope for the FY
Financial Section

Material Weaknesses

Exhibit I

**Configuration Management**

Controls related to configuration management are designed to provide reasonable assurance that changes to information system resources are authorized and systems are configured and operated securely and as intended. Although DOL had designed controls to establish accountability and responsibility for configuration management, including monitoring and tracking of changes, we identified during our FY 2016 audit procedures that account management controls were not consistently implemented over developers with access to perform configuration management changes, as evidenced by incomplete re-certifications. The lack of consistently implemented configuration management controls may allow for unauthorized or inappropriate changes to be applied and remain undetected by management, resulting in lower assurance that the information system will operate as intended and that the data is reliable, valid, and complete.

**System Audit Log Configuration and Reviews**

The system audit log configuration and reviews category represents controls designed to detect unauthorized access to IT systems. Although DOL had certain detective controls in place to partially mitigate the aforementioned account management and system access settings risks, we identified during our FY 2016 audit procedures that certain audit logs were not captured, monitored, reviewed timely, or independently reviewed. Additionally, evidence of audit log reviews was not consistently maintained or was insufficient. The lack of effective and timely system audit log configuration and reviews may allow for unauthorized or inappropriate activities to remain undetected by management for lengthy periods of time.

**Patching and Vulnerability Management**

Controls related to patching and vulnerability management are designed to prevent weaknesses in IT systems from being exploited. Such controls include proactively monitoring system vulnerabilities, timely patching related security issues, and configuring IT systems in compliance with baseline security requirements. During our FY 2016 audit procedures, we identified numerous critical and high-risk operating system patches and configurations that were not implemented timely. Additionally, we noted that certain database infrastructures were configured on unsupported versions instead of the latest supported versions from the vendors.

Vulnerabilities that are not remedied in a timely manner may result in information leaks or system threats. These vulnerabilities may also disrupt normal system processes, allow inappropriate access, prevent updates from being implemented, and jeopardize the integrity of financial information. Additionally, vulnerabilities that are not remedied or mitigated can present an opportunity to circumvent account management, system access settings, and audit logging controls. Furthermore, not upgrading to a vendor-supported database increases susceptibility to threats and vulnerabilities developing after the database’s end of support date, which ultimately increases the risk of a compromise of the confidentiality, integrity, and availability of the data residing on the information system.

Collectively, the aforementioned IT control deficiencies pose a significant risk to the integrity of DOL’s data, which could ultimately impact DOL’s ability to accurately and timely perform its financial reporting duties. The specific nature of these deficiencies, their specific causes, and the systems impacted by them, have been communicated separately to management. These deficiencies were the result of issues in the design, implementation, or monitoring of departmental procedures and controls. DOL agencies have not invested the necessary level of effort and resources to perform root cause analyses to address issues previously reported, and to ensure that certain IT policies and procedures are developed, implemented, and operating effectively.
The National Institute of Standards and Technology Special Publication 800-53, Revision 4, Security and Privacy Controls for Federal Information Systems and Organizations, and the Government Accountability Office’s Standards for Internal Control in the Federal Government (GAO-14-704G), provide federal information systems standards and guidelines for controls that include, but are not limited to, the controls in which deficiencies were identified.

To address the deficiencies noted above, we recommend the Acting Chief Information Officer:

a) Conduct a sufficient risk assessment to identify the root causes of identified deficiencies;
b) Document, track, and implement milestones and corrective actions to timely remediate all identified deficiencies that have been communicated to DOL management;
c) Coordinate efforts among the DOL agencies to design and implement procedures and controls to address account management, system access settings, configuration management, system audit log configuration and reviews, and patching and vulnerability management control deficiencies in key financial feeder systems; and
d) Monitor the agencies’ progress to ensure that established procedures and controls are operating effectively and maintained.

**Management’s Response:** See Exhibit II for management’s response.

**Auditors’ Response:** During the audit period, management was provided opportunities to provide additional information in response to our findings when they were first identified through the formal reporting process. Of the 61 individual findings that we issued during the audit, management non-concurred with 13 of them, but did not provide a response to the findings to indicate the basis for non-concurrence or additional information to dispute the findings. The plans outlined in management’s response alone do not sufficiently reduce identified risks that have been impacting DOL information security controls for the past 10 years.

In accordance with auditing standards generally accepted in the United States of America, we considered the deficiencies noted above during our FY 2016 audit individually and in the aggregate. In our professional judgment, the aggregation of these deficiencies results in a material weakness. Although management stated that they do not concur with our categorization of these deficiencies as a material weakness, they plan on taking steps to address them. We will conduct follow-up procedures in FY 2017 to determine whether corrective actions have been developed and implemented.

### 2. Deficiencies in Estimating Future Excise Tax Income

For purposes of preparing DOL’s FY 2016 sustainability financial statements for the projection period of FY 2017 through FY 2040, management estimated future excise tax income using two approaches, one for the first ten years in the projection period and one for the remaining years. For the first ten years (i.e., FY 2017 through FY 2026), DOL used as a calculation input excise tax projections that the U.S. Department of the Treasury’s Office of Tax Analysis (OTA) prepared for the Mid-Session Review, Budget of the U.S. Government. For the remaining years in the projection period, DOL applied a growth rate to the projection for the tenth year and grew the estimates of future excise tax income year-by-year. In its initial projection, DOL estimated future excise tax income of $524 million for FY 2017.

As part of the Office of the Chief Financial Officer’s (OCFO) procedures over estimated future excise tax income, the OCFO performed certain analyses in late October 2016. Based on these analyses, the OCFO determined that actual excise taxes received in FY 2016 of $439.6 million decreased significantly
because of the poor condition of the coal industry. However, DOL’s procedures did not require a change to the estimated future excise tax income as of September 30, 2016 based on such contradictory evidence.

The actual excise taxes received by DOL for the 9-month period ended June 30, 2016 and the year ended September 30, 2016, decreased by 16 percent and 20 percent, respectively, when compared to the same period in the prior year. These changes correlated with the decrease in coal production reported by the U.S. Energy Information Administration. However, we determined that DOL had not designed and implemented procedures and controls to monitor and assess benchmarking information related to key economic assumptions relevant to the coal industry throughout the year.

After we discussed these matters with management, DOL revised its estimated future excise tax income projection for FY 2016 in late November. This revision caused the initial amount of the present value of estimated future excise tax income for the projection period reported in the statement of social insurance to decrease by approximately $427 million.

Although DOL ultimately revised its estimated future excise tax income projection, management had not designed and implemented relevant policies and procedures to:

- Determine the completeness and accuracy of certain underlying assumptions related to the coal industry, such as growth or decline in coal production; and
- Analyze the reasonableness of proposed changes to its estimate or estimation methodology prior to implementation.

Because of the insufficient policies and procedures noted above, DOL also did not properly design and implement controls that operated at a sufficient level of precision to prevent or detect and correct material misstatements in the estimate of future excise tax income. As a result, management was unable to provide sufficient analyses or other documentation to support the revised estimated future excise tax income methodology and certain underlying assumptions used in the final FY 2016 sustainability financial statements.

The following criteria are relevant to the conditions noted above:


  The projections and estimates should be based on the entity’s reasonable estimates of demographic and economic assumptions, taking each factor individually and incorporating future changes mandated by current law.

- The Government and Accountability Office’s *Standards for Internal Control in the Federal Government* (the Standards), Sections 12.02 and 12.03 state:

  Management documents in policies the internal control responsibilities of the organization. Management documents in policies for each unit its responsibility for an operational process’s objectives and related risks, and control activity design, implementation, and operating effectiveness.
Section 13.04 of the Standards states:

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

To address the deficiencies noted above, we recommend the Principal Deputy Chief Financial Officer perform the following to enhance the existing policies, procedures, and controls:

a) Identify and document the benchmarking information related to key economic assumptions that should be monitored and assessed throughout the year to determine the reasonableness of the assumptions used to determine the estimated future excise tax income projection.
b) Establish documentation requirements for these periodic assessments, and develop and implement appropriate supervisory review of the assessment and the conclusions contained therein. This review should be documented.
c) Clearly establish when changes in economic conditions warrant revisions to the underlying assumptions used in the estimated future excise tax income projection.
d) Develop and implement a control to analyze changes to the estimated future excise tax income projection for reasonableness before changes are implemented. This analysis should be documented and retained.
e) Develop and implement procedures and controls to obtain and review the details of OTA’s key excise tax assumptions to determine if the assumptions are reasonable. This review should be documented.

Management’s Response: See Exhibit II for management’s response.

Auditors’ Response: We will conduct follow-up procedures in FY 2017 to determine whether corrective actions have been developed and implemented.
MEMORANDUM FOR: ELLIOT LEWIS
Assistant Inspector General for Audit

FROM: GEOFFREY KENYON
Principal Deputy Chief Financial Officer


We appreciate the opportunity to provide input and look forward to the continued collaboration with the OIG audit team.

Please let me know if you have any questions.

Attachment

cc: Karen Tekleberhan, Deputy Chief Financial Officer
Edward C. Hugler, Acting Assistant Secretary for Operations
Gundep Ahluwalia, Acting Chief Information Officer
Robert Balin, OCFO Audit Liaison
Management Response
Fiscal Year 2016
Independent Auditor’s Report

1. Lack of Sufficient Information Technology General Controls over Key Financial Feeder Systems

Management agrees that several of the findings cited in the report must be addressed. However, as in previous audit engagements, management stresses our continuing requests that the analysis behind a material weakness or significant deficiency finding connecting it to the risk of misstatement of financial statement be included in the audit reports. We find this year’s auditor’s report once again lacking in this regard.

That said, the security of DOL’s information and information systems is one of the Department’s top priorities, and we remain committed to ensuring the Department implements safeguards to protect its information and information systems. To this end, we developed and implemented corrective actions to address or significantly lower the risk associated with the findings of the independent auditor’s report. With this in mind, we have made several advances in each of the areas referenced in the report as outlined below.

Expanded DOL’s PIV card logon implementation resulting in 100% of our privileged users and 98% of our general users being required to access DOL networks with their PIV card.

Expanded DOL’s continuous monitoring program via the deployment of additional security monitoring tools such as WebInspect, DBProtect, and Nessus Security Center, as well as acquired network security monitoring services for network Intrusion Detection and Prevention, web content filtering, and Internet Anti-virus blocking. Increased monitoring of DOL vulnerability and patch management programs and implemented a weekly Enterprise Cybersecurity Patch and vulnerability management dashboard reporting process resulting in a 95% decrease in the number of outstanding vulnerabilities and patches. Updated DOL security policies requiring the implementation of more stringent IT security procedures.

In addition to the advances mentioned above, we also developed and implemented an Enterprise Cybersecurity Corrective Action Plan (CAP). The CAP was an enterprise effort implemented to ensure foundational improvements were made in the areas of Access Management, Vulnerability Management, Configuration Management, and Third Party Oversight. In many instances, the CAP further required immediate security control implementation such as: modification to access control procedures including requiring out of cycle user account reviews (privileged and general user accounts) be performed resulting in immediate improvement.

Building upon the FY 2016 progress, in Q1 FY17 DOL will review and update its Enterprise Corrective Action Plan (CAP). Among other planned corrective actions, the CAP will incorporate remediation activities to address the identified vulnerabilities more holistically and will expand its continuous monitoring efforts to include more frequent oversight monitoring of agencies corrective action plan implementation. Included in this CAP will be verification reviews to ensure account management and configuration management procedures are implemented consistently across DOL’s operating environment. Additionally, we will expand
DOL’s current Enterprise audit log capability with log correlation tools to ensure security logs are properly captured and procedures are updated for ongoing log reviews. DOL will also complete its planned DHS Einstein 3 implementation to strengthen DOL’s network security perimeter defenses.

We appreciate the opportunity to provide input and look forward to the continued collaboration with the OIG audit team.

2. Deficiencies in Estimating Future Excise Tax Income

Management continually seeks to improve its policies and procedures and respond to issues identified during the audit. DOL will continue to improve its policies and procedures by conducting analyses on a monthly basis and at third quarter on the financial position and results of operations for the BLDTF and document the analyses of variances in a manner similar to the financial analyses already performed on other agencies. By implementing these procedures, DOL will document variances and better anticipate their effects on financial reporting.

The Office of Tax Analysis (OTA) informed DOL that some of the details of the key excise tax assumptions are not public information, and therefore could not be made available for audit. However, DOL had the opportunity to discuss and clarify the methodology and some of the assumptions used by OTA. DOL found the methodology and support reasonable in estimating future excise tax revenue. Furthermore, DOL consulted with EIA experts in coal statistics and tables to learn the nature of the coal models and factors that impact the coal industry overall. DOL will continue to work with OTA and EIA to ensure our policies and procedures are current and consistent with these agencies.

In compliance with US GAAP, DOL disclosed that the estimated amounts reported on the SOSI and SCSIA reflect the current conditions and that the estimates may differ materially from the actual future results due to changes in future conditions. DOL believes that our disclosures assist the reader’s understanding of these effects. Whatever those future conditions may be, DOL looks forward to addressing the financial reporting challenges of the fund in 2017.