



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the
Inspector General

November 15, 2012

Report No. 4A-CF-00-12-040

MEMORANDUM FOR JOHN BERRY

Director

FROM:

PATRICK E. McFARLAND
Inspector General

A handwritten signature in black ink that reads "Patrick E. McFarland".

SUBJECT:

Audit of the Office of Personnel Management's Fiscal Year
2012 Special-Purpose Financial Statements

This memorandum transmits KPMG LLP's (KPMG) report on the Office of Personnel Management's (OPM) Fiscal Year 2012 Closing Package Financial Statements and the results of the Office of the Inspector General's (OIG) oversight of the audit and review of that report. OPM's Closing Package Financial Statement Reports include the reclassified balance sheets, the statements of net cost, the statements of changes in net position, and the accompanying notes as of September 30, 2012 and 2011; the Additional Note No. 31; and the trading partner balance sheets, the statements of net cost, and the statements of changes in net position as of September 30, 2012 (hereinafter collectively referred to as the special-purpose financial statements). These special-purpose financial statements directly link the entities' audited consolidated department-level financial statements to the Financial Report of the Government (the government-wide financial statements).

We contracted with the independent certified public accounting firm KPMG to audit OPM's special-purpose financial statements as of September 30, 2012 and 2011. The contract requires that the audit be done in accordance with generally accepted government auditing standards and the Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

KPMG reported that OPM's special-purpose financial statements are presented fairly, in all material respects. KPMG noted no matters involving the internal control over the financial process for the special-purpose financial statements that are considered a material weakness or significant deficiency. KPMG disclosed no instances of noncompliance or other matters that are required to be reported. The objectives of KPMG's audits of the special-purpose financial statements did not include expressing an opinion on internal controls or compliance with laws and regulations, and KPMG, accordingly, does not express such opinions.

OIG Evaluation of KPMG's Audit Performance

In connection with the audit contract, we reviewed KPMG's report and related documentation and made inquiries of its representatives regarding the audit. To fulfill our audit responsibilities under the Chief Financial Officers Act for ensuring the quality of the audit work performed, we conducted a review of KPMG's audit of OPM's Fiscal Year 2012 and 2011 special-purpose financial statements in accordance with Government Auditing Standards (GAS). Specifically, we:

- reviewed KPMG's approach and planning of the audit;
- evaluated the qualifications and independence of its auditors;
- monitored the progress of the audit at key points;
- examined its working papers related to planning the audit and assessing internal controls over the financial reporting process;
- reviewed KPMG's audit reports to ensure compliance with GAS;
- coordinated issuance of the audit report; and
- performed other procedures we deemed necessary.

Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on OPM's special-purpose financial statements. KPMG is responsible for the attached auditor's report dated November 15, 2012, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG did not comply, in all material respects, with the generally accepted GAS.

If you have any questions about KPMG's audit or our oversight, please contact me or have a member of your staff contact Michael R. Esser, Assistant Inspector General for Audits, at [REDACTED].

Attachment

cc: Dennis Coleman
Chief Financial Officer

[REDACTED]
Deputy Chief Financial Officer