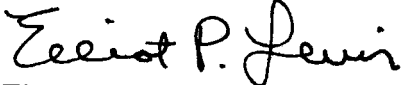




MAY 23 2011

MEMORANDUM FOR: JAMES L. TAYLOR
Chief Financial Officer

FROM: 
ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: FY 2010 Independent Auditors' Report
Report Number: 22-11-015-13-001

Attached is the Independent Auditors' Report on the U.S. Department of Labor's (DOL) reissued FY 2010 financial statements. We contracted with the independent certified public accounting firm of KPMG LLP (KPMG) to complete the audit of DOL's financial statements as of, and for the years ended, September 30, 2010, and 2009. The contract required that the audit be conducted in accordance with generally accepted government auditing standards (GAGAS) and Office of Management and Budget (OMB) audit requirements.

As discussed in the opinion on the financial statements, in KPMG's report dated November 15, 2010, KPMG did not express an opinion on DOL's FY 2010 consolidated financial statements. This disclaimer of opinion resulted from DOL's implementation of a new financial accounting and reporting system which hindered its ability to assure the accuracy and completeness of consolidated financial statement balances and to provide data necessary for audit testing by the Office of Management and Budget (OMB) deadline for issuing the report. Since that date, DOL has adjusted certain consolidated financial statement balances and provided KPMG with sufficient support of the balances reported in the consolidated financial statements. Accordingly, KPMG's present opinion on the reissued DOL financial statements is unqualified.

KPMG's report on internal control over financial reporting identified certain deficiencies that are considered to be material weaknesses and other deficiencies that are considered to be significant deficiencies, as follows:

Material Weaknesses

1. Lack of Sufficient Controls over Financial Reporting
2. Lack of Sufficient Controls over Budgetary Accounting
3. Improvements Needed in the Preparation and Review of Journal Entries
4. Lack of Adequate Controls over Access to Key Financial and Support Systems

Significant Deficiencies

5. Weakness Noted over Payroll Accounting
6. Untimely and Inaccurate Processing of Property, Plant, and Equipment Transactions

KPMG concluded DOL did not substantially comply with the requirements of the *Federal Financial Management Improvement Act (FFMIA) of 1996* as of September 30, 2010. Furthermore, KPMG concluded DOL's FY 2010 assessment process was not in full compliance with the *Federal Managers' Financial Integrity Act of 1982*. KPMG is responsible for the attached auditors' report and the conclusions expressed in the report. However, in connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on DOL's financial statements; or conclusions about the effectiveness of internal control; or on whether DOL's financial management systems substantially complied with FFMIA; or conclusions on DOL's compliance with laws and regulations. Our review disclosed no instances where KPMG did not comply, in all material respects, with GAGAS and OMB audit requirements.

This report is for inclusion in the DOL's Agency Financial Report. We noted certain additional matters that did not rise to the level of a material weakness or significant deficiency that we reported to management separately.

If you have any questions, please contact Joseph Donovan, Jr. at (202) 693-5248.

We appreciate the cooperation of all DOL staff involved in the audit.

Attachment

cc: Karen Tekleberhan, Deputy Chief Financial Officer
Stan Karczewski, Division Chief of Financial Reporting and Compliance