

Noziglia, Tom

From: Draves, Bobbie
Sent: Wednesday, November 02, 2005 1:10 PM
To: Moschetto, Thomas; Rosenthal, Ruth; Taub, Amy
Subject: FW: Mint Custodial Report OIG-06-003
Attachments: oig06003.pdf

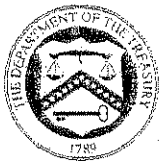
61 E-05-A11

Hi All - we'll get the hard copies tomorrow, but here's the pdf of the custodial audit report.
Bobbie

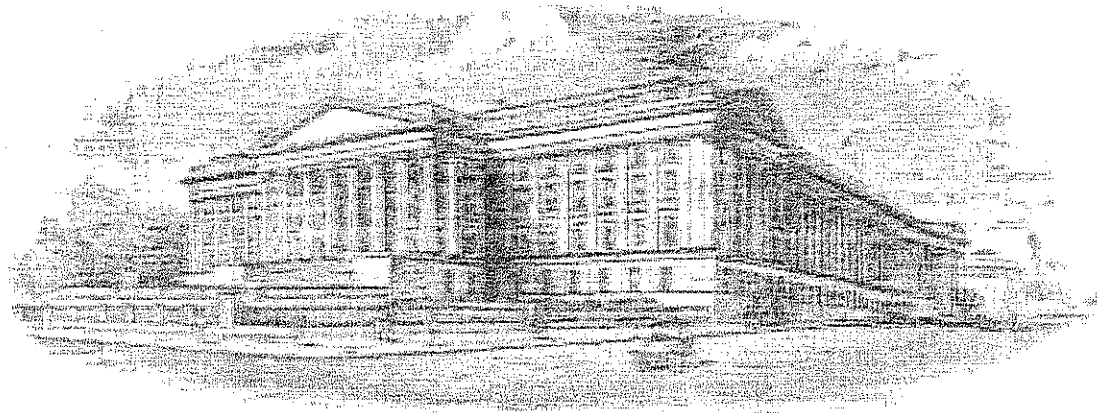
-----Original Message-----

From: Fitzgerald, Michael P. [mailto:FitzgeraldM@oig.treas.gov]
Sent: Wednesday, November 02, 2005 11:14 AM
To: Draves, Bobbie
Subject: Mint Custodial Report OIG-06-003

Bobbie,
Here is the Mint Gold & Silver report in pdf format.
Thanks,
Mike



Audit Report



OIG-06-003

Audit of the United States Mint's Schedule of Custodial Gold and Silver Reserves as of September 30, 2005 and 2004

October 31, 2005

Office of
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

October 31, 2005

MEMORANDUM FOR DAVID A. LYBRIK, ACTING DIRECTOR
UNITED STATES MINT

FROM:

William H. Pugh *William H. Pugh*
Deputy Assistant Inspector General for Financial
Management and Information Technology Audits

SUBJECT:

Audit of the United States Mint's Schedule of
Custodial Gold and Silver Reserves as of
September 30, 2005 and 2004

The attached report presents the results of our audits of the United States Mint's (Mint) Schedule of Custodial Gold and Silver Reserves (Custodial Schedule) as of September 30, 2005 and 2004. The Custodial Schedule is the responsibility of the Mint. We conducted our audits in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

We rendered an unqualified opinion on the Custodial Schedule as of September 30, 2005 and 2004. In addition, our report contains no reportable conditions related to internal control, and no instances of noncompliance with laws and regulations that could have a direct and material effect on the Custodial Schedule.

The results of our audits will be used by KPMG LLP, an independent public accountant, who is performing the audit of the Mint's Fiscal Year 2005 financial statements. In addition, copies of our report are being provided to the Secretary of the Treasury, the Treasurer of the United States, and the Department of the Treasury's Chief Financial Officer.

Your staff has reviewed our report, and has no comments. Should you have any questions, please contact me at (202) 927-5400 or Michael Fitzgerald, Director, Financial Audits, at (202) 927-5789.

Attachment

Contents

TRANSMITTAL MEMORANDUM

SECTION I - REPORT OF THE OFFICE OF INSPECTOR GENERAL

| | |
|--|---|
| Management's Responsibilities..... | 1 |
| Scope of Audits | 1 |
| Results of Audits..... | 2 |
| Opinion on the Custodial Schedule | 2 |
| Internal Control..... | 3 |
| Compliance with Laws and Regulations | 4 |

Appendices

| | |
|--|---|
| Appendix 1: Major Contributors to this Report..... | 5 |
| Appendix 2: Report Distribution..... | 6 |

SECTION II - UNITED STATES MINT'S SCHEDULE OF CUSTODIAL GOLD AND SILVER RESERVES AS OF SEPTEMBER 30, 2005 AND 2004



Report of the Office of Inspector General

*The Department of the Treasury
Office of Inspector General*

To the Acting Director of the United States Mint:

We have audited the accompanying Schedule of Custodial Gold and Silver Reserves (Custodial Schedule) of the United States Mint (Mint) as of September 30, 2005 and 2004. This report presents our unqualified opinion on this Custodial Schedule. Our audit disclosed no material weaknesses and no instances of reportable noncompliance with laws and regulations.

Management's Responsibilities

Management is responsible for: (1) preparing the Custodial Schedule in conformity with accounting principles generally accepted in the United States of America; (2) establishing and maintaining internal control; and (3) complying with laws and regulations applicable to the Mint's custodial responsibilities for the Gold and Silver Reserves.

Scope of Audits

We conducted our audits in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Custodial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Custodial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Custodial Schedule.

presentation. Our responsibility is to express an opinion on the Custodial Schedule based on our audits. We believe that our audits provide a reasonable basis for our opinion and our conclusions on internal control and compliance with laws and regulations.

In planning and conducting our audit of the Mint's Custodial Schedule, we considered internal control over financial reporting. Specifically, we obtained an understanding of the design of the Mint's internal control related to the Custodial Schedule, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the Custodial Schedule and not to provide assurance on the internal control over financial reporting. Consequently, we do not provide an opinion on such control.

As part of obtaining reasonable assurance about whether the Custodial Schedule is free of material misstatement, we performed tests of the Mint's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of Custodial Schedule amounts. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Mint. We caution that noncompliance may occur and not be detected by these tests and that testing may not be sufficient for other purposes. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Results of Audits

Opinion on the Custodial Schedule

In our opinion, the accompanying Custodial Schedule presents fairly, in all material respects, the balance of the United States' Gold and Silver Reserves in the custody of the Mint as of

September 30, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

Internal Control

Internal control is a process, effected by management and other personnel, designed to provide reasonable assurance that the following objectives are met:

- Reliability of financial reporting - transactions are properly recorded, processed, and summarized to permit the preparation of the Custodial Schedule in accordance with accounting principles generally accepted in the United States of America, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition; and
- Compliance with applicable laws and regulations that could have a direct and material effect on the Custodial Schedule.

Because of limitations inherent in any internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that internal control may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting related to the Custodial Schedule that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the Custodial Schedule being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control over financial reporting related to the Custodial Schedule and its operation that we consider to be material weaknesses as defined above.

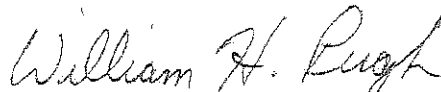
Compliance with Laws and Regulations

The results of our tests of compliance with laws and regulations disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

* * * * *

We have reviewed our report with the financial management of the Mint. Based on mutual agreement, we are issuing this report as final. Should you or your staff have any questions, you may contact me at (202) 927-5400, or Michael Fitzgerald, Director, Financial Audits, at (202) 927-5789. We appreciate the cooperation and the courtesy extended to our staff.

This report is intended solely for the information and use of the management of the Mint, the Department of the Treasury, the Office of Management and Budget, Congress, and KPMG LLP, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is available as a matter of public record.



William H. Pugh

Deputy Assistant Inspector General for Financial Management
and Information Technology Audits

October 7, 2005

Financial Audits Division

Michael Fitzgerald, Director
Susan Barron, Audit Manager
Donna Joseph, Audit Manager
Catherine Yi, Auditor
Shiela Michel, Auditor
Nakita Parker, Auditor

The Department of the Treasury

Secretary of the Treasury
Treasurer of the United States
Assistant Secretary for Management and Chief Financial Officer
Director, Office of Accounting and Internal Control

United States Mint

Acting Director
Deputy Director
Chief Financial Officer

Independent Public Accountant

KPMG LLP

SECTION II -

UNITED STATES MINT'S SCHEDULE OF CUSTODIAL
GOLD AND SILVER RESERVES
AS OF
SEPTEMBER 30, 2005 AND 2004

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
SCHEDULE OF CUSTODIAL GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 2005 AND 2004
(IN THOUSANDS)

| CUSTODIAL GOLD AND SILVER RESERVES | <u>2005</u> | <u>2004</u> |
|---|--------------|--------------|
| United States gold and silver reserves (Note 2) | \$10,364,687 | \$10,364,687 |
| Liability to Treasury (Note 2) | \$10,364,687 | \$10,364,687 |
| Net gold and silver reserves custodial position | <u>\$ 0</u> | <u>\$ 0</u> |

The accompanying notes are an integral part of this Schedule.

**DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE SCHEDULE OF CUSTODIAL GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 2005 AND 2004**

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The United States Mint, established in 1792, is an integral part of the Department of the Treasury. The mission of the United States Mint is to manufacture coins for general circulation. In addition to manufacturing circulating coins, the United States Mint manufactures numismatic products, including medals, proof coins, uncirculated coins, bullion coins (gold, platinum, and silver), and commemorative coins. These manufacturing operations are reported in the United States Mint's financial statements. The United States Mint is also the custodian of a significant portion of the United States' gold and silver reserves. The United States Mint uses the term custodial to identify gold and silver reserves held for the United States Treasury. The custodial reserves are not assets of the United States Mint, but are assets of the United States Treasury.

The United States Mint's Public Enterprise Fund (PEF) funds all custodial activities, including the protection of the United States' gold and silver reserves.

B. Basis of Presentation

This Schedule has been prepared to report the gold and silver reserves custodial position of the United States Mint. The books and records of the United States Mint have served as the source of the information contained herein. This Schedule has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and United States Mint accounting policies.

This Schedule includes all gold and silver classified by the United States Mint as "custodial reserves" as defined in Note 2. This Schedule does not reflect any United States gold and silver reported by the United States Mint in its operating inventory, or any reserve amounts due to be replenished by the PEF, nor does it include gold held at Federal Reserve Banks (FRB). The PEF is authorized to use gold and silver from the custodial reserves to support its numismatic operations.

Note 2. Gold and Silver Reserves

The gold and silver reserves reported in this Schedule are exclusive of the gold and silver reserves considered to be operating inventory in the United States Mint's financial records and of the Treasury gold held by the FRB. The custodial gold and silver reserves included in this Schedule are primarily in bar form, but may occasionally be in coin or other form. The custodial reserves also include foreign gold coins that have been held by Treasury for many years.

The gold and silver reserves are reported in this Schedule at the lower of cost or market value. Absent historical records to determine the acquisition cost of the gold and silver over the decades, the reserves are valued at the rates stated in U.S. Code Title 31, Sections 5116 and 5117 (statutory rates) which are \$42.2222 per Fine Troy Ounce (FTO) of gold and \$1.292929292 per FTO of silver. An offsetting liability is also reported for these assets.

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE SCHEDULE OF CUSTODIAL GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 2005 AND 2004

At September 30, 2005 and 2004, the market value of gold was \$473.25 per FTO and \$415.65 per FTO respectively. Gold inventories consisted of the following at September 30:

| | <u>FTO</u> | <u>Statutory Value</u> | <u>Market Value</u> |
|------|----------------|------------------------|---------------------|
| 2005 | 245,262,897.04 | \$10,355,539,091 | \$116,070,666,024 |
| 2004 | 245,262,897.04 | \$10,355,539,091 | \$101,943,523,155 |

At September 30, 2005 and 2004, the market value of silver was \$7.5300 per FTO and \$6.6650 per FTO respectively. Silver inventories consisted of the following at September 30:

| | <u>FTO</u> | <u>Statutory Value</u> | <u>Market Value</u> |
|------|--------------|------------------------|---------------------|
| 2005 | 7,075,171.14 | \$ 9,147,696 | \$53,276,039 |
| 2004 | 7,075,171.14 | \$ 9,147,696 | \$47,156,016 |

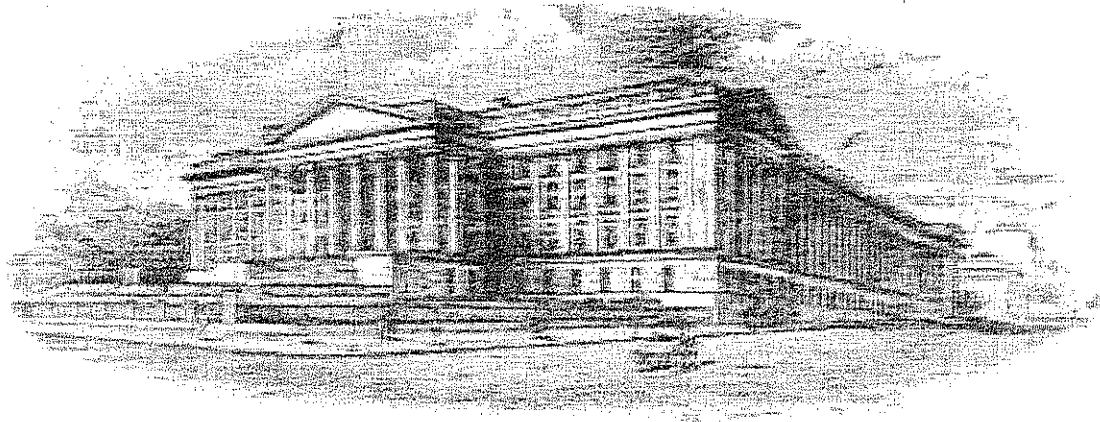
The combined gold and silver custodial reserves consisted of the following at September 30:

| | <u>Statutory Value</u> | <u>Market Value</u> |
|------|------------------------|---------------------|
| 2005 | \$10,364,686,787 | \$116,123,942,063 |
| 2004 | \$10,364,686,787 | \$101,990,679,171 |

70-E-08-A11

- For
Distribution

Audit Report



OIG-09-002

Audit of the United States Mint's Schedule of
Custodial Deep Storage Gold and Silver Reserves
as of September 30, 2008 and 2007

October 21, 2008

Office of
Inspector General

Department of the Treasury





DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

October 21, 2008

MEMORANDUM FOR EDMUND C. MOY, DIRECTOR
UNITED STATES MINT

FROM: Michael Fitzgerald /s/
Director, Financial Audits

SUBJECT: Audit of the United States Mint's Schedule of
Custodial Deep Storage Gold and Silver Reserves as of
September 30, 2008 and 2007

The attached report presents the results of our audits of the United States Mint's (Mint) Schedule of Custodial Deep Storage Gold and Silver Reserves (Custodial Schedule) as of September 30, 2008 and 2007. The Custodial Schedule is the responsibility of the Mint. We conducted our audits in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

We rendered an unqualified opinion on the Custodial Schedule as of September 30, 2008 and 2007. In addition, our report contains no material weaknesses related to internal control over financial reporting, and no instances of reportable noncompliance with laws and regulations.

The results of our audits will be used by KPMG LLP, an independent public accountant, who is performing the audits of the Mint's Fiscal Year 2008 and 2007 financial statements. In addition, copies of our report are being provided to the Secretary of the Treasury, the Treasurer of the United States, and the Department of the Treasury's Chief Financial Officer.

Your staff has reviewed our report, and agreed with our conclusions. Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Donna Joseph, Manager, Financial Audits at (202) 927-5784.

Attachment

Contents

TRANSMITTAL MEMORANDUM

SECTION I - REPORT OF THE OFFICE OF INSPECTOR GENERAL

| | |
|--|---|
| Management's Responsibilities | 1 |
| Scope of Audits | 1 |
| Results of Audits | 3 |
| Opinion on the Custodial Schedule | 3 |
| Internal Control | 3 |
| Compliance with Laws and Regulations | 4 |

Appendices

| | |
|---|---|
| Appendix 1: Major Contributors to this Report | 6 |
| Appendix 2: Report Distribution | 7 |

SECTION II - UNITED STATES MINT'S SCHEDULE OF CUSTODIAL DEEP STORAGE GOLD AND SILVER RESERVES AS OF SEPTEMBER 30, 2008 AND 2007

SECTION I -

REPORT OF THE OFFICE OF INSPECTOR GENERAL



Report of the Office of Inspector General

*The Department of the Treasury
Office of Inspector General*

To the Director of the United States Mint:

We have audited the accompanying Schedule of Custodial Deep Storage Gold and Silver Reserves (Custodial Schedule) of the United States Mint (Mint) as of September 30, 2008 and 2007. This report presents our unqualified opinion on this Custodial Schedule. Our audit disclosed no material weaknesses and no instances of reportable noncompliance with laws and regulations.

Management's Responsibilities

Management is responsible for: (1) preparing the Custodial Schedule in conformity with U.S. generally accepted accounting principles; (2) establishing and maintaining internal control; and (3) complying with laws and regulations applicable to the Mint's custodial responsibilities for the Deep Storage Gold and Silver Reserves.

Scope of Audits

We conducted our audits in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Custodial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Custodial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by

management, as well as evaluating the overall Custodial Schedule presentation. Our responsibility is to express an opinion on the Custodial Schedule based on our audits. We are also responsible for obtaining a sufficient understanding of internal control over financial reporting to plan the audits, and to test certain provisions of laws and regulations that have a direct and material effect on the Custodial Schedule. We believe that our audits provide a reasonable basis for our opinion and our conclusions on internal control and compliance with laws and regulations.

In planning and performing our audit, we considered the Mint's internal control over financial reporting related to the Custodial Schedule as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Custodial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the Mint's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mint's internal control over financial reporting.

Because of limitations inherent in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

As part of obtaining reasonable assurance about whether the Custodial Schedule is free of material misstatement, we performed tests of the Mint's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of Custodial Schedule amounts. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Mint. We caution that noncompliance may occur and not be detected by these tests and that testing may not be sufficient for other purposes. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Results of Audits

Opinion on the Custodial Schedule

In our opinion, the accompanying Custodial Schedule presents fairly, in all material respects, the balance of the United States' Deep Storage Gold and Silver Reserves in the custody of the Mint as of September 30, 2008 and 2007, in conformity with U.S. generally accepted accounting principles.

Internal Control

Internal control is a process, effected by management and other personnel, designed to provide reasonable assurance that the following objectives are met:

- Reliability of financial reporting - transactions are properly recorded, processed, and summarized to permit the preparation of the Custodial Schedule in accordance with U.S. generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition; and
- Compliance with applicable laws and regulations that could have a direct and material effect on the Custodial Schedule.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Mint's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more

than a remote likelihood that a misstatement of the Custodial Schedule that is more than inconsequential will not be prevented or detected by the Mint's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Custodial Schedule will not be prevented or detected by the Mint's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the Scope of Audits section above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting related to the Custodial Schedule that we consider to be material weaknesses, as defined above.

Compliance with Laws and Regulations

Our tests of the Mint's compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under *Government Auditing Standards*.

* * * * *

The financial management of the Mint has reviewed our report and agreed with our conclusions. Should you or your staff have any questions, you may contact me at (202) 927-5789, or a member of your staff may contact Donna Joseph, Manager, Financial Audits at (202) 927-5784. We appreciate the cooperation and courtesy extended to our staff.

This report is intended solely for the information and use of the management of the Mint, the Department of the Treasury, the Office of Management and Budget, Congress, and KPMG LLP, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is available as a matter of public record.

/s/

Michael Fitzgerald
Director, Financial Audits

October 21, 2008

Financial Audit Division

Donna Joseph, Manager
Ade Bankole, Manager
Catherine Yi, Manager
Michelle Ruff, Auditor

The Department of the Treasury

Secretary of the Treasury
Treasurer of the United States
Assistant Secretary for Management and Chief Financial Officer
Director, Office of Accounting and Internal Control

United States Mint

Director
Deputy Director
Chief Financial Officer

Independent Public Accountant

KPMG LLP

SECTION II -

UNITED STATES MINT'S SCHEDULE OF CUSTODIAL DEEP
STORAGE GOLD AND SILVER RESERVES
AS OF
SEPTEMBER 30, 2008 AND 2007

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
SCHEDULE OF CUSTODIAL DEEP STORAGE GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 2008 AND 2007
(IN THOUSANDS)

CUSTODIAL DEEP STORAGE GOLD AND SILVER RESERVES

| | <u>2008</u> | <u>2007</u> |
|--|--------------|--------------|
| Deep storage gold and silver reserves (Note 2) | \$10,364,687 | \$10,364,687 |
| Liability to Treasury (Note 2) | \$10,364,687 | \$10,364,687 |
| Net deep storage gold and silver reserves custodial position | <u>\$ 0</u> | <u>\$ 0</u> |

The accompanying notes are an integral part of this Schedule.

**DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE SCHEDULE OF CUSTODIAL DEEP STORAGE
GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 2008 AND 2007**

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

The United States Mint, established in 1792, is an integral part of the Department of the Treasury. The mission of the United States Mint is to manufacture coins for general circulation. In addition to manufacturing circulating coins, the United States Mint manufactures numismatic products, including medals, proof coins, uncirculated coins, bullion coins (gold, platinum, and silver), and commemorative coins. These manufacturing operations are reported in the United States Mint's financial statements. The United States Mint is also the custodian of a significant portion of the United States' gold and silver reserves. The United States Mint uses the term custodial to identify gold and silver reserves held for the United States Treasury. The custodial reserves are not assets of the United States Mint, but are assets of the United States Treasury.

The United States Mint's Public Enterprise Fund (PEF) funds all custodial activities, including the protection of the United States' gold and silver reserves.

B. Basis of Presentation

This Schedule has been prepared to report the deep storage gold and silver reserves custodial position of the United States Mint. The books and records of the United States Mint have served as the source of the information contained herein. This Schedule has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and United States Mint accounting policies.

This Schedule includes all gold and silver classified by the United States Mint as "custodial deep storage reserves" as defined in Note 2. Deep storage is defined as that portion of the U.S. Government-owned gold and silver bullion reserve which the United States Mint secures in sealed vaults. Deep storage gold comprises the vast majority of the reserves and consists primarily of gold bars. This Schedule does not reflect any United States gold and silver reported by the United States Mint as working stock, or any reserve amounts due to be replenished by the PEF, nor does it include Treasury-owned gold held at Federal Reserve Banks (FRB). Upon approval from the Secretary of the Treasury, the PEF may use gold and silver from the custodial deep storage reserves to support its numismatic operations.

Note 2 Deep Storage Gold and Silver Reserves

The gold and silver reserves reported in this Schedule are exclusive of the gold and silver reserves considered to be working stock in the United States Mint's financial records and of the Treasury-owned gold held by the FRB. The custodial deep storage gold and silver reserves included in this Schedule are primarily in bar form, but may occasionally be in coin or other form. The custodial deep storage reserves also include foreign gold coins that have been held by Treasury for many years.

The deep storage gold and silver reserves are reported in this Schedule at the values stated in 31 U.S.C. §§ 5116 and 5117 (statutory rates) which are \$42.2222 per fine troy ounce (FTO) of gold and no less than \$1.292929292 per FTO of silver. Accordingly, the United States Mint values the silver at \$1.292929292 per FTO. An offsetting liability is also reported for these assets.

At September 30, 2008 and 2007, the market value of gold per the London Gold Fixing (PM) was \$884.50 per FTO and \$743.00 per FTO respectively. Deep storage gold inventories consisted of the following at September 30:

| | <u>FTO</u> | <u>Statutory Value</u> | <u>Market Value</u> |
|------|----------------|------------------------|---------------------|
| 2008 | 245,262,897.04 | \$10,355,539,091 | \$216,935,032,432 |
| 2007 | 245,262,897.04 | \$10,355,539,091 | \$182,230,332,501 |

At September 30, 2008 and 2007, the market value of silver per the London Gold Fixing was \$12.9600 per FTO and \$13.6500 per FTO respectively. Deep storage silver inventories consisted of the following at September 30:

| | <u>FTO</u> | <u>Statutory Value</u> | <u>Market Value</u> |
|------|--------------|------------------------|---------------------|
| 2008 | 7,075,171.14 | \$ 9,147,696 | \$91,694,218 |
| 2007 | 7,075,171.14 | \$ 9,147,696 | \$96,576,086 |

The combined custodial deep storage gold and silver reserves consisted of the following at September 30:

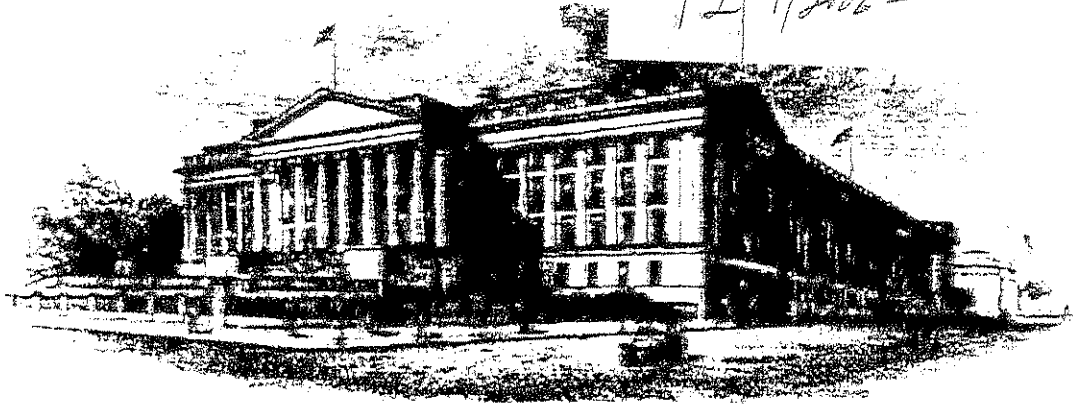
| | <u>Statutory Value</u> | <u>Market Value</u> |
|------|------------------------|---------------------|
| 2008 | \$10,364,686,787 | \$217,026,726,650 |
| 2007 | \$10,364,686,787 | \$182,326,908,587 |



62-E-06-A11 R. Rosenthal-

Audit Report

Copy of
OIG Gold
Audit Report
12/4/2006



OIG-07-003

Audit of the United States Mint's Schedule of
Custodial Deep Storage Gold and Silver Reserves
as of September 30, 2006 and 2005

October 23, 2006

Office of
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

October 23, 2006

MEMORANDUM FOR EDMUND C. MOY, DIRECTOR
UNITED STATES MINT

FROM: Michael Fitzgerald *Michael Fitzgerald*
Acting Deputy Assistant Inspector General for Financial
Management and Information Technology Audits

SUBJECT: Audit of the United States Mint's Schedule of
Custodial Deep Storage Gold and Silver Reserves as of
September 30, 2006 and 2005

The attached report presents the results of our audits of the United States Mint's (Mint) Schedule of Custodial Deep Storage Gold and Silver Reserves (Custodial Schedule) as of September 30, 2006 and 2005. The Custodial Schedule is the responsibility of the Mint. We conducted our audits in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

We rendered an unqualified opinion on the Custodial Schedule as of September 30, 2006 and 2005. In addition, our report contains no reportable conditions related to internal control, and no instances of noncompliance with laws and regulations that could have a direct and material effect on the Custodial Schedule.

The results of our audits will be used by KPMG LLP, an independent public accountant, who is performing the audits of the Mint's Fiscal Year 2006 and 2005 financial statements. In addition, copies of our report are being provided to the Secretary of the Treasury, the Treasurer of the United States, and the Department of the Treasury's Chief Financial Officer.

Our report has been reviewed by your staff. Based on mutual agreement, we are issuing this report as final. Should you have any questions, please contact me at (202) 927-5789. We appreciate the cooperation and courtesy extended to our staff.

Attachment

Contents

TRANSMITTAL MEMORANDUM

SECTION I - REPORT OF THE OFFICE OF INSPECTOR GENERAL

| | |
|--|---|
| Management's Responsibilities | 1 |
| Scope of Audits | 1 |
| Results of Audits | 2 |
| Opinion on the Custodial Schedule | 2 |
| Internal Control | 3 |
| Compliance with Laws and Regulations | 4 |

Appendices

| | |
|---|---|
| Appendix 1: Major Contributors to this Report | 5 |
| Appendix 2: Report Distribution | 6 |

SECTION II - UNITED STATES MINT'S SCHEDULE OF CUSTODIAL DEEP STORAGE GOLD AND SILVER RESERVES AS OF SEPTEMBER 30, 2006 AND 2005

SECTION I -

REPORT OF THE OFFICE OF INSPECTOR GENERAL



Report of the Office of Inspector General

*The Department of the Treasury
Office of Inspector General*

To the Director of the United States Mint:

We have audited the accompanying Schedule of Custodial Deep Storage Gold and Silver Reserves (Custodial Schedule) of the United States Mint (Mint) as of September 30, 2006 and 2005. This report presents our unqualified opinion on this Custodial Schedule. Our audit disclosed no material weaknesses and no instances of reportable noncompliance with laws and regulations.

Management's Responsibilities

Management is responsible for: (1) preparing the Custodial Schedule in conformity with accounting principles generally accepted in the United States of America; (2) establishing and maintaining internal control; and (3) complying with laws and regulations applicable to the Mint's custodial responsibilities for the Deep Storage Gold and Silver Reserves.

Scope of Audits

We conducted our audits in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Custodial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Custodial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by

management, as well as evaluating the overall Custodial Schedule presentation. Our responsibility is to express an opinion on the Custodial Schedule based on our audits. We believe that our audits provide a reasonable basis for our opinion and our conclusions on internal control and compliance with laws and regulations.

In planning and conducting our audit of the Mint's Custodial Schedule, we considered internal control over financial reporting. Specifically, we obtained an understanding of the design of the Mint's internal control related to the Custodial Schedule, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the Custodial Schedule and not to provide assurance on the internal control over financial reporting. Consequently, we do not provide an opinion on such control.

As part of obtaining reasonable assurance about whether the Custodial Schedule is free of material misstatement, we performed tests of the Mint's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of Custodial Schedule amounts. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Mint. We caution that noncompliance may occur and not be detected by these tests and that testing may not be sufficient for other purposes. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Results of Audits

Opinion on the Custodial Schedule

In our opinion, the accompanying Custodial Schedule presents fairly, in all material respects, the balance of the United States'

Deep Storage Gold and Silver Reserves in the custody of the Mint as of September 30, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America.

Internal Control

Internal control is a process, effected by management and other personnel, designed to provide reasonable assurance that the following objectives are met:

- Reliability of financial reporting - transactions are properly recorded, processed, and summarized to permit the preparation of the Custodial Schedule in accordance with accounting principles generally accepted in the United States of America, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition; and
- Compliance with applicable laws and regulations that could have a direct and material effect on the Custodial Schedule.

Because of limitations inherent in any internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that internal control may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting related to the Custodial Schedule that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the Custodial Schedule being audited may occur and not be detected within a timely period by employees in the normal course of performing their

assigned functions. However, we noted no matters involving the internal control over financial reporting related to the Custodial Schedule and its operation that we consider to be material weaknesses as defined above.

Compliance with Laws and Regulations

The results of our tests of compliance with laws and regulations disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

* * * * *

We have reviewed our report with the financial management of the Mint. Based on mutual agreement, we are issuing this report as final. Should you or your staff have any questions, you may contact me at (202) 927-5789. We appreciate the cooperation and the courtesy extended to our staff.

This report is intended solely for the information and use of the management of the Mint, the Department of the Treasury, the Office of Management and Budget, Congress, and KPMG LLP, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is available as a matter of public record.



Michael Fitzgerald

Acting Deputy Assistant Inspector General for

Financial Management and Information Technology Audits

October 11, 2006

Financial Audit Division

Donna Joseph, Audit Manager
Susan Barron, Audit Manager
Catherine Yi, Auditor
Rafael Cumba, Auditor
Susan Sebert, Program Analyst
Myung Han, Program Analyst

The Department of the Treasury

Secretary of the Treasury
Treasurer of the United States
Assistant Secretary for Management and Chief Financial Officer
Director, Office of Accounting and Internal Control

United States Mint

Director
Deputy Director
Chief Financial Officer

Independent Public Accountant

KPMG LLP

SECTION II -

**UNITED STATES MINT'S SCHEDULE OF CUSTODIAL DEEP
STORAGE GOLD AND SILVER RESERVES
AS OF
SEPTEMBER 30, 2006 AND 2005**

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
SCHEDULE OF CUSTODIAL DEEP STORAGE GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 2006 AND 2005
(IN THOUSANDS)

CUSTODIAL DEEP STORAGE GOLD AND SILVER RESERVES

| | <u>2006</u> | <u>2005</u> |
|--|--------------|--------------|
| Deep storage gold and silver reserves (Note 2) | \$10,364,687 | \$10,364,687 |
| Liability to Treasury (Note 2) | \$10,364,687 | \$10,364,687 |
| Net deep storage gold and silver reserves custodial position | <u>\$ 0</u> | <u>\$ 0</u> |

The accompanying notes are an integral part of this Schedule.

**DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE SCHEDULE OF CUSTODIAL DEEP STORAGE GOLD AND SILVER
RESERVES
AS OF SEPTEMBER 30, 2006 AND 2005**

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The United States Mint, established in 1792, is an integral part of the Department of the Treasury. The mission of the United States Mint is to manufacture coins for general circulation. In addition to manufacturing circulating coins, the United States Mint manufactures numismatic products, including medals, proof coins, uncirculated coins, bullion coins (gold, platinum, and silver), and commemorative coins. These manufacturing operations are reported in the United States Mint's financial statements. The United States Mint is also the custodian of a significant portion of the United States' gold and silver reserves. The United States Mint uses the term custodial to identify gold and silver reserves held for the United States Treasury. The custodial reserves are not assets of the United States Mint, but are assets of the United States Treasury.

The United States Mint's Public Enterprise Fund (PEF) funds all custodial activities, including the protection of the United States' gold and silver reserves.

B. Basis of Presentation

This Schedule has been prepared to report the deep storage gold and silver reserves custodial position of the United States Mint. The books and records of the United States Mint have served as the source of the information contained herein. This Schedule has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and United States Mint accounting policies.

This Schedule includes all gold and silver classified by the United States Mint as "custodial deep storage reserves" as defined in Note 2. Deep storage is defined as that portion of the U.S. Government-owned gold and silver bullion reserve which the United States Mint secures in sealed vaults. Deep storage gold comprises the vast majority of the reserves and consists primarily of gold bars. This Schedule does not reflect any United States gold and silver reported by the United States Mint as working stock, or any reserve amounts due to be replenished by the PEF, nor does it include Treasury-owned gold held at Federal Reserve Banks (FRB). Upon approval from the Secretary of the Treasury, the PEF may use gold and silver from the custodial deep storage reserves to support its numismatic operations.

Note 2. Deep Storage Gold and Silver Reserves

The gold and silver reserves reported in this Schedule are exclusive of the gold and silver reserves considered to be working stock in the United States Mint's financial records and of the Treasury-owned gold held by the FRB. The custodial deep storage gold and silver reserves included in this Schedule are primarily in bar form, but may occasionally be in coin or other form. The custodial deep storage reserves also include foreign gold coins that have been held by Treasury for many years.

The deep storage gold and silver reserves are reported in this Schedule at the values stated in 31USC§5116 and 5117 (statutory rates) which are \$42.2222 per fine troy ounce (FTO) of gold and \$1.292929292 per FTO of silver. An offsetting liability is also reported for these assets.

60 - E-04 WP

December 20, 2004

(b)(6)

MEMORANDUM FOR:

[REDACTED]
ASSOCIATE DIRECTOR/CFO

FROM:

[REDACTED]
Management and Program Analyst
Office of Management Services

THROUGH:

[REDACTED]
Assistant Director for Management Services

SUBJECT:

2004 Verification and Annual Seal Inspection at the United States
Mint at West Point

An Annual Verification and Seal Inspection was conducted at the United States Mint at West Point over the period of July 19, 2004 through July 23, 2004; August 24, 2004; and September 14, 2004. This process was conducted in accordance with the United States Mint Directive 8H-3, "Verification of Deep Storage Assets", Mint-wide Policy Memorandum FIN-08, "Assay Sampling of Deep Storage Assets", Mint-wide Policy Memorandum FIN-09, "Deep Storage Asset Verifications", Mint-wide Policy Memorandum FIN-10, "Official Joint Seals", Mint-wide Policy Memorandum FIN-11, "Rules of Conduct During Deep Storage Asset Verifications and Official Joint Seal Inspections", and Mint-wide Policy Memorandum FIN-12, "Documentation Requirements for Deep Storage Asset Verifications and Official Joint Seal Inspections".

Consistent with its role under the Chief Financial Officers (CFO) Act, the Department of the Treasury, Office of Inspector General (OIG) observed this verification to attest to the accuracy of the custodial amounts for precious metals which are reported in the United States Mint's Schedule of Custodial Gold and Silver Reserves and financial statements.

The Seal Inspection was performed by a Director's Representative, an OIG Representative and a representative from the United States Mint at West Point, as listed in Attachment A. The following describes the objectives and scope of the process and the Director's Representative's findings and conclusions.

OBJECTIVES AND SCOPE

(b)(1)

The objectives of the verification and inspection are to assure that:

- The Deep Storage Assets in the custody of the United States Mint actually exist;
- The Deep Storage Assets are properly secured; and
- The Deep Storage Assets are accurately accounted for in the United States Mint's financial records.

The process covered the following activities:

- Upon arrival at the United States Mint at West Point on July 19th, an entrance conference was held. The participants of this conference are included as Attachment B.
- To ensure all verification participants understood the process, we reconfirmed that compartment [REDACTED] was the outgoing compartment and [REDACTED] as the incoming compartment. We all agreed to the above and that 2,400 bars were to be moved.
- Upon conclusion of the entrance conference, all of the participants went downstairs to the secure vault area. One officer and one facility personnel, each with half of the combination, opened the vault door. At this point, the Seals on both [REDACTED] and [REDACTED] were inspected. Once it was determined that neither Seal showed signs of deterioration or evidence of having been tampered with over the previous year, along with the ribbons, griplock and wax, the Seals were removed from the compartments and signed by the OIG Representative, the Plant Manager's Representative and the Director's Representative. The Headquarters' and Facility's padlocks were removed and the bar movement process began.
- The bar movement went very well and was concluded midway through July 21, 2004. All 2,400 bars were moved as scheduled and 71 samples were selected. The Director's Representative would like to thank the bar handlers in particular for their hard work.
- Drilling of the samples began on the afternoon of the 21st. The 71 bars were weighed for their pre-sample weight and 17 samples were drilled before it was time to break for the day. The remaining 54 samples were drilled on the 22nd. The post-sample weight of the bars was taken Friday morning and the samples were packed up for shipping.
- Prior to shipment of the samples, all parties attempted to perform a final reconciliation of their respective records, without success. It was agreed that the samples should not be sent to the assayer until the records reconciled and the amount of the samples sent to the assayer was absolute.
- Late on Friday afternoon, it was discovered that one cause of the reconciliation issues was that a setting on the scale had not been properly changed. The scale was reading at

(b)(1)

ounces rather than fine troy ounces (FTO) causing the weight of the samples to appear to be more than it actually was.

- At this late time in the day, all parties agreed that there was not enough time to reweigh each sample at the correct FTO setting and perform a second drilling of the 71 bars. The samples were sealed into compartment [REDACTED] and a Seal was hung on [REDACTED]
- The OIG Representative and the Director's Representative returned to the United States Mint at West Point on August 24, 2004. Each sample was reweighed, and the necessary bars were redrilled to bring the sample weights to the minimum required .10 FTO. Upon completion, the samples were shipped to the assayer.
- Some reconciliation issues still remained, but were pinpointed to rounding errors between the various schedules.
- On September 14, 2004 the OIG Representative and the Director's Representative returned to the United States Mint at West Point to perform a Seal inspection. Each Official Joint Seal was inspected. There were no Official Joint Seals that appeared to have been tampered with in any way, nor that showed signs of deterioration.
- Headquarters did not have any locks to bring to the Seal inspection. Therefore, the padlocks were not exchanged.

FINDINGS AND CONCLUSIONS

1. The management at the United States Mint at West Point provided the OIG Representative with bar schedules for both compartments [REDACTED] and [REDACTED]. These schedules included positions numbers, (the exact location of each bar of gold in the compartment, as defined by a bar's serial number). Position numbers are not maintained at any other facility, and are for the convenience of United States Mint at West Point personnel. These position numbers were not always accurate. In some cases, there were several bars in a row that were not placed as noted on the schedule. While the West Point management maintains that these position numbers were provided as merely a convenience, the sample selected by the OIG was based on these position numbers. As a result, bars were moved out of order, and bars not part of the movement had to be moved within compartment [REDACTED] to find the bars that were selected to be moved.

It is the recommendation of the Director's Representative that the remainder of the compartment be moved next year, with OIG concurrence and contingent upon the United States Mint at West Point's schedule. This would streamline the verification process by allowing inclusion of all of the bars in the movement and sample selection process, thus alleviating the need to find a particular grouping of bars that was selected for movement and sampling. This would also conclude the verification process at the United States Mint at West Point one to two years ahead of schedule, while only requiring the team to stay in West Point approximately one week longer.

Should you have any questions regarding this memorandum or require further information, please do not hesitate to contact me at (202) 772-7026.

cc:

Treasury Office of Inspector General

(b)(6)

(b)(6)

Attachment A: Verification Team

United States Mint at West Point

July 19, 2004 through July 23, 2004; August 24, 2004; September 24, 2004

Director's Representative:

- [redacted] Management and Program Analyst, Office of Management Services, Program Review Division

Plant Manager and Representative:

- [redacted]
- [redacted]

Treasury Office of Inspector General Representatives:

- [redacted]
- [redacted]
- [redacted]
- [redacted]

(b)(6)

Attachment B: Entrance Conference Participants
United States Mint at West Point
July 19, 2004

Headquarters' Representatives:

•
•

Treasury OIG Representatives

•
•
•
•

Plant Manager and Representatives

•
•
•
•
•
•
•

(b)(6)

| | Prepared By: | Cleared By: | Cleared By: |
|-----------|--|--|---|
| | Management and Program Analyst, OMS | Chief, Program Review Division, OMS | Assistant Director for Management Services |
| Signature | | | |
| Date | | | |

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
SCHEDULE OF CUSTODIAL GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 2004 AND 2003
(IN THOUSANDS)

| CUSTODIAL GOLD AND SILVER RESERVES | <u>2004</u> | <u>2003</u> |
|---|--------------|--------------|
| United States gold and silver reserves (Note 2) | \$10,364,687 | \$10,364,687 |
| Liability to Treasury (Note 2) | \$10,364,687 | \$10,364,687 |
| Net gold and silver reserves custodial position | <u>\$ 0</u> | <u>\$ 0</u> |

The accompanying notes are an integral part of this Schedule.

**DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE SCHEDULE OF CUSTODIAL GOLD AND SILVER
RESERVES AS OF SEPTEMBER 30, 2004 AND 2003**

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The United States Mint, established in 1792, is an integral part of the Department of the Treasury. The mission of the United States Mint is to manufacture coins for general circulation. In addition to manufacturing circulating coins, the United States Mint manufactures numismatic products, including medals, proof coins, uncirculated coins, bullion coins (gold, platinum, and silver), and commemorative coins. These manufacturing operations are reported in the United States Mint's consolidated financial statements. The United States Mint is also the custodian of a significant portion of the United States' gold and silver reserves, which are presented in the reserves segment of the United States Mint's Statements of Financial Position. The United States Mint uses the term custodial to identify gold and silver reserves held for the United States Treasury. The custodial reserves are not assets of the United States Mint, but are assets of the United States Treasury.

The United States Mint's Public Enterprise Fund (PEF) funds all custodial activities, including the protection of the United States' gold and silver reserves.

B. Basis of Presentation

This Schedule has been prepared to report the gold and silver reserves custodial position of the United States Mint. The books and records of the United States Mint have served as the source of the information contained herein. This Schedule has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and United States Mint accounting policies.

This Schedule includes all gold and silver classified by the United States Mint as "custodial reserves" as defined in Note 2. This Schedule does not reflect any United States gold and silver reported by the United States Mint in its operating inventory, or any reserve amounts due to be replenished by the PEF, nor does it include gold held at Federal Reserve Banks (FRB). The PEF is authorized to use gold and silver from the custodial reserves to support its numismatic operations.

Note 2. Gold and Silver Reserves

The gold and silver reserves reported in this Schedule are exclusive of the gold and silver reserves considered to be operating inventory in the United States Mint's financial records and of the Treasury gold held by the FRB. The custodial gold and silver reserves included in this Schedule are primarily in bar form, but may occasionally be in coin or other form. The custodial reserves also include foreign gold coins that have been held by Treasury for many years.

**DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE SCHEDULE OF CUSTODIAL GOLD AND SILVER
RESERVES AS OF SEPTEMBER 30, 2004 AND 2003**

The gold and silver reserves are reported in this Schedule at the lower of cost or market value. Absent historical records to determine the acquisition cost of the gold and silver over the decades, the reserves are valued at the rates stated in U.S. Code Title 31, Sections 5116 and 5117 (statutory rates) which are \$42.2222 per Fine Troy Ounce (FTO) of gold and \$1.292929292 per FTO of silver. An offsetting liability is also reported for these assets.

At September 30, 2004 and 2003, the market value of gold was \$415.65 per FTO and \$388.00 per FTO respectively. Gold inventories consisted of the following at September 30:

| | <u>FTO</u> | <u>Statutory Value</u> | <u>Market Value</u> |
|------|----------------|------------------------|---------------------|
| 2004 | 245,262,897.04 | \$10,355,539,091 | \$101,943,523,155 |
| 2003 | 245,262,897.04 | \$10,355,539,091 | \$95,162,004,052 |

At September 30, 2004 and 2003, the market value of silver was \$6.6650 per FTO and \$5.1150 per FTO respectively. Silver inventories consisted of the following at September 30:

| | <u>FTO</u> | <u>Statutory Value</u> | <u>Market Value</u> |
|------|--------------|------------------------|---------------------|
| 2004 | 7,075,171.14 | \$ 9,147,696 | \$47,156,016 |
| 2003 | 7,075,171.14 | \$ 9,147,696 | \$36,189,500 |

The combined gold and silver custodial reserves consisted of the following at September 30:

| | <u>Statutory Value</u> | <u>Market Value</u> |
|------|------------------------|---------------------|
| 2004 | \$10,364,686,787 | \$101,990,679,171 |
| 2003 | \$10,364,686,787 | \$95,198,193,552 |

In prior years, custodial gold and silver FTOs were transferred to the PEF for numismatic operations. The PEF is responsible for either replenishing the custodial reserves with newly mined gold or paying the Treasury General Fund for the custodial reserves transferred to the PEF for numismatic operations. There were no such transfers during FY 2004 and 2003.

PM08007 Custodial Assets Verification FY2008
West Point Review Notes

72-E-08-64

Table of Contents:

(b)(1)

| | | |
|-------|--|---|
| 1 | West Point Compartment Verification | 1 |
| 1.1 | Contact | 1 |
| 1.1.1 | Summary | 1 |
| 1.2 | Verification | 1 |
| 1.2.1 | Summary of Activities, Inquiries and Observations | 1 |
| 1.3 | Observations and Conclusions | 2 |
| 1.3.1 | Minor Errors in Notations on the Bar Schedule | 2 |
| 1.3.2 | Fourteen Bars not Imprinted with Fineness | 2 |
| 1.3.3 | Standard Operating Procedures Need to be Updated | 3 |
| 2 | West Point Follow-up on Weight of Granules | 3 |
| 2.1 | Observations and Conclusions | 4 |
| 2.1.1 | Error in the Weight of Granules Added to Compartment | 4 |
| 2.1.2 | Fourteen CCR Hallmark Bars not Marked as to Fineness | 4 |
| 3 | Key Personnel | 5 |
| 3.1 | Office of Inspector General | 5 |
| 3.2 | KPMG – Independent Public Accountants | 5 |
| 3.3 | Mint HQ | 5 |
| 3.4 | West Point | 5 |

United States Mint

The information in this document is Controlled with Standard Dissemination and for Internal Use Only.
Any Other Use Or Disclosure Of This Information Is Expressly Unauthorized.

(b)(6)

1 West Point Compartment Verification

1.1 Contact

(b)(6) On Monday July 21, 2008: , Director's Representative and , from Mint HQ arrived at the West Point Mint. The HQ Team was joined by Office of Inspector General (OIG) Team members lead by and included with KPMG the Mint's external financial auditors. The HQ Team and OIG Team met with representatives of the West Point facility and conducted a briefing on the procedures for executing the compartment verification.

1.1.1 Summary

- The Team members were processed by the Mint Police for access to the manufacturing area
- All participants discussed the procedures and agreed on the process
- Plant Manager was not on site for the verification
- Primary contacts were:

1.2 Verification

(b)(1) The verification process consisted of inventorying the contents in the "source" compartment, moving the contents and verifying the bars as they were placed in the "target" compartment. During the inventory of the the OIG identified individual bars that had been selected as random samples to be set aside for assay verification of the gold fineness.

The bars set aside for assay were taken to a work room, samples were drilled from each bar, marked by the OIG for control and prepared for shipment to the White Sands Missile Range Laboratory (the contractor for the assay work). After the samples were taken, granules of gold were weighed to replace the amount of gold removed for samples. The granules were placed in the target compartment and the compartment was sealed with an Official Joint Seal (OJS).

1.2.1 Summary of Activities, Inquiries and Observations

- The OJS on compartment was inspected
 - Only a minor notation on the OJS that the "Vault" was listed as "10" and compartment was " " the vault identification should have been
 - No exceptions were noted in the inspection
- The Director's lock was removed by the Director's Representative and the facility's lock was removed by the facility's Representative
- The OJS was removed and compartment opened on 07-21-2008
- The bar handlers in the source compartment pulled each bar called out the hallmark, serial number and fineness stamped on the bars and the information was confirmed by the HQ Team and OIG Team stationed in the source compartment
 - If a bar was identified by the OIG Team as a sample item the bar was set aside
- The bar handlers in the target compartment stacked each bar and called out the hallmark, serial number and fineness stamped on the bars and the information was confirmed by the HQ Team and OIG Team stationed in the target compartment
 - The bars set aside for sampling were reconciled to the bar schedule
 - The statistical sample consisted of 72 bars
 - An additional 14 bars that were not marked as to the fineness were set aside for assay to confirm fineness
- The movement of the bars was completed Wednesday afternoon July 23, 2008
- Thursday July 24, the 86 bars set aside were moved to a work room and were drilled to obtain a sample to be sent out for assay
 - The samples were placed in individual envelopes and marked with a control number by the OIG representatives
 - Note: the OIG representatives maintained control over all samples until shipped.

- After the samples were obtained, granules were weighed to replace the weight of the samples taken
 - Note: the weighing of the granules was observed by representatives of the Facility, OIG and Mint HQ
 - The granules were placed in an envelope.
- The 86 bars and envelope containing the granules were moved to compartment* the (b)(1)
- The compartment was sealed with OJS serial number 1451
- The samples were delivered to FedEx for shipment to White Sands Missile Range (WSMR) Laboratory on Friday July 25, 2008
- WSMR received the samples July 28, 2008
- The WSMR Laboratory:
 - Verified the weight of the samples delivered
 - Assayed the samples and reported the fineness for each bar
 - All samples were within tolerance
 - This included the 14 bars that were not marked as to fineness
 - Provided a certificate of destruction for the gold used in the assay
 - Returned the unused portion of the gold from the samples to West Point

1.3 Observations and Conclusions

1.3.1 Minor Errors in Notations on the Bar Schedule

1.3.1.1 Condition

During the verification process we noted the bar schedule for the compartment contain a few minor errors in notation. These errors were marked on the working copy of the schedules and West Point personnel made corrections after the verification was completed.

1.3.1.2 Criteria

The bar schedule is the inventory control document for the deep storage assets and should be error free to ensure the integrity of the recorded inventory.

1.3.1.3 Effect

The gold inventory is controlled at the individual melt unit level and the bar schedule is the control to identify individual melts. In the case of single bar melts each bar is listed on the schedule. Therefore, if the inventory control document contains errors a full verification may be required to correct the errors and would increase the costs of storing the assets.

1.3.1.4 Cause

The errors noted appear to be simple typographical errors while inputting the data on the schedule.

1.3.1.5 Conclusions

The errors are not significant and do not have an impact on the quantities reported.

- Pass comment

1.3.2 Fourteen Bars not Imprinted with Fineness

1.3.2.1 Condition

During the verification process we noted 14 bars (consecutive serial numbers 1531 to 1544) with the CCR hallmark did not have the fineness marked on the bar.

1.3.2.2 Criteria

The gold inventory is controlled at the individual melt unit level and the bar schedule is the control to identify individual melts. In the case of "high fine" (.9999, 999.9 or four 9s) gold, single bar melts are used and each bar is listed on the schedule. These bars are accepted from the fabricator with the fineness stamped on each bar indicating the fabricator's quality level of the gold content. Best practices indicate that all high fine gold bars should be properly stamped and this practice was observed on all other bars (4,386) in the compartment.

1.3.2.3 Effect

Gold received from the fabricator is tested for fineness as a quality control during acceptance of a shipment. If the gold bars received from the fabricator are not properly marked with the fineness, the quality of the bar may be questioned and may require additional assay work to verify the fineness.

1.3.2.4 Cause

The errors noted appear to be an oversight by the fabricator when the bars were fabricated and were either not detected or not reported during the receiving process.

1.3.2.5 Conclusions

The fourteen bars were set aside and sampled for assay verification. The compartment was sealed and the OJS included a notation regarding the lack of marking on the 14 bars.

- The fineness of the bars will need to be confirmed by the assay
- If the fineness is confirmed no action is required; however, the next time the compartment is opened the bars should be marked
- If the fineness is not confirmed an adjustment to the bar schedule will be required

1.3.3 Standard Operating Procedures Need to be Updated

1.3.3.1 Condition

The existing Standard Operating Procedures (SOP) have a sunset date of June 2008. Updates to the procedures were drafted and reviewed, and a more detailed set of procedures and guidelines were developed for the FY 2008 verification. However, the updated SOP has not been formally approved.

1.3.3.2 Criteria

Standard Operating Procedures (SOP) are developed to ensure acceptable processes have been formally approved to ensure proper controls are observed by the staff assigned to carry out specific duties. Best practices would indicate that SOP would be reviewed, updated and approved within the timeframe specified by the sunset date.

1.3.3.3 Effect

Failure to review and approve SOP within the specified timeframe may result in ineffective and/or inappropriate procedures being followed by the staff in executing their duties.

1.3.3.4 Cause

The initial review of the existing procedures was conducted prior to the sunset date. However, the Standard Operating Procedures that were developed during the last update divided the procedures into multiple documents. After the initial review, it was determined that a compilation of the procedures would simplify and improve the usefulness of the document. The compiled document was submitted for review by subject matter experts and a consensus was reached to validate the procedures during the verification process and then update before submitting for formal approval.

1.3.3.5 Conclusions

The Standard Operating Procedures should be updated and submitted for formal approval.

2 West Point Follow-up on Weight of Granules

Subsequent to the verification work the West Point Quality Control/Laboratory personnel, during their normal check-in process, identified a possible error in the weight of the granules placed in compartment

The amount of granules returned to the lab appeared to be more than the expected amount. The Plant Manager contacted the Director's Representative and indicated that an error may have been made in reading the scale indicating that the error appeared to be the decimal place was miss-read.

The Director's Representative contacted the OIG and coordinated with all parties to reopen compartment and verify the weight of the granules and also mark the 14 gold bars with the appropriate fineness.

(b)(6)

- September 22, 2008 the Director's Representative, [redacted] with OIG and representatives from the West Point Mint opened compartment
 - An OJS inspection was conducted with no exceptions
 - OJS 1451 was removed and Director's and Facility's locks were removed
- The granules and the 14 bars that were not marked with fineness were moved to a work room
 - The team verified that the weight of the granules was in error
 - The quantity required to replace the sample weight was 10.364 and apparently the scale was miss-read; the actual weight was 1.0364 a difference of 9.3276 troy ounces
 - The team added granules to correct the weight and placed them in a sample bottle
 - The team then marked the 14 bars with "four 9's" fineness
 - The granules and 14 bars were then placed in compartment [redacted] and a new OJS serial number 1661 as applied

(b)(1)

2.1 Observations and Conclusions

2.1.1 Error in the Weight of Granules Added to Compartment 10-H

2.1.1.1 Condition

During the verification process the scale weight of the granules used to replace the weight of the samples taken was read incorrectly by the verification team (required weight 10.346 vs. actual weight 1.0346 in troy ounces). The redundant control used to check the amount of granules returned to the quality control laboratory determined that the weight of gold returned appeared to be more than the expected amount.

2.1.1.2 Criteria

Best practices indicate that, due to the high value of gold, multiple verifications should be used to confirm quantities used.

2.1.1.3 Effect

Small quantity differences of precious metals could result in significant differences in recorded values; therefore, greater efforts are required to reconcile balances whenever differences are found. In addition to the amount of potential adjustments to inventory balances, additional resources will be required to reconcile and resolve differences created by errors.

2.1.1.4 Cause

Several individuals on the verification team read the scale and agreed that the number represented by the digits were correct. However, due to the difficulty in seeing the location of the decimal point on the scale's readout the team members missed the number significant digits left and right of the decimal place.

2.1.1.5 Conclusions

The errors in reading the scale was human error and not process or systemic in nature. The redundant check by the quality control laboratory did detect the error and management took immediate action to correct the error.

2.1.2 Fourteen CCR Hallmark Bars not Marked as to Fineness

2.1.2.1 Condition

Fourteen bars from the fabricator (CCR hallmark) did not have the fineness marked on the bar. These 14 bars were set aside and samples were taken for assay. The assay report confirmed the bars to be high fine gold. In addition, West Point requested and received documentation from the fabricator stating the fineness asserted by the fabricator was four 9s. The compartment was subsequently reopened and the 14 bars were imprinted with the appropriate markings.

2.1.2.2 Criteria

The gold inventory is controlled at the individual melt unit level and the bar schedule is the control to identify individual melts. In the case of "high fine" (.9999, 999.9 or four 9s) gold, single bar melts are used and each bar is listed on the schedule. These bars are accepted from the fabricator with the fineness stamped on each bar indicating the fabricator's quality level of the gold content. Best practices indicate

that all high fine gold bars should be properly stamped and this practice was observed on all other bars (4,386) in the compartment.

2.1.2.3 Effect

Additional handling of these bars was required to properly imprint the bars.

2.1.2.4 Cause

The errors noted appear to be an oversight by the fabricator when the bars were fabricated and were not detected or not reported during the receiving process.

2.1.2.5 Conclusions

The fineness of the bars was confirmed by the assay and West Point received additional documentation from CCR confirming the fineness; therefore, no additional action is required.

3 Key Personnel

3.1 Office of Inspector General

-
- Additional Personnel for the Compartment Verification
 -
 -
 -

(b)(6)

3.2 KPMG – Independent Public Accountants

-
-

(b)(6)

3.3 Mint HQ

-
-

Director's Representative

Additional personnel for the compartment verification

3.4 West Point

-
-
-
-
-
-
-

Plant Manager

(b)(6)



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

August 19, 2005

LET ME THANK YOU,
YOUR TEAM & THE TEAM AT
WESTPOINT FOR A JOB
WELL DONE.

MEMORANDUM FOR:

ASSOCIATE DIRECTOR/CHIEF FINANCIAL OFFICER

FROM:

Chief, Internal Control Division
Office of Management Support and Internal Control

THROUGH:

Assistant Director for Management Support and Internal Control

SUBJECT:

2005 Gold Verification at the United States Mint at West Point

A gold verification was conducted at the United States Mint at West Point over the period of July 18 - 22, 2005. This process was conducted in accordance with the United States Mint Directive 8H-3, "Verification of Deep Storage Assets", Mint-wide Policy Memorandum FIN-08, "Assay Sampling of Deep Storage Assets", Mint-wide Policy Memorandum FIN-09, "Deep Storage Asset Verifications", Mint-wide Policy Memorandum FIN-10, "Official Joint Seals", Mint-wide Policy Memorandum FIN-11, "Rules of Conduct During Deep Storage Asset Verifications and Official Joint Seal Inspections", and Mint-wide Policy Memorandum FIN-12, "Documentation Requirements for Deep Storage Asset Verifications and Official Joint Seal Inspections", all dated July 2005.

Consistent with its role under the Chief Financial Officers (CFO) Act, the Department of the Treasury, Office of Inspector General (OIG) observed this verification to attest to the accuracy of the custodial amounts for precious metals which are reported in the United States Mint's Schedule of Custodial Gold and Silver Reserves and financial statements.

Each phase of the verification was conducted by a Director's Representative, an OIG Representative and a representative from the United States Mint at West Point. Verification participants are listed in Attachment A. In addition to these participants, volunteer bar handlers and a bar handler coordinator, the United States Mint Police, the Financial, Quality Assurance and Cash managers at the United States Mint at West Point, and other employees at West Point and Headquarters supported the gold verification process. The following describes the objectives, activities, and findings from this verification.

OBJECTIVES:

The objectives of the verification were to assure that:

- The deep storage assets in the custody of the United States Mint actually exist;
- The deep storage assets are properly secured; and
- The deep storage assets are accurately accounted for in the United States Mint's financial records.

ACTIVITIES:

The following activities were performed:

- Upon arrival at the United States Mint at West Point on July 18th, an entrance conference was held. To ensure all verification participants understood the process, we reconfirmed that Compartment [redacted] was the outgoing compartment and that [redacted] was the incoming compartment. We agreed that 3,500 bars were to be moved, and that the OIG Representative would select the samples to be drilled and sent to the contracted laboratory for assay testing. (b)(1)
- At the conclusion of the entrance conference, the participants went downstairs to the vault area. The Official Joint Seals on Compartment [redacted] and [redacted] were then inspected. Once it was determined that the Seals (and corresponding cloth tape, metal griplock seals and wax impressions) showed no signs of deterioration or tampering, the Seals were removed from the compartments. The West Point and Headquarters padlocks were removed and the bar verification and movement process began. (b)(1)
- As the 3,500 bars were moved out of Compartment [redacted], the information on the bars was compared to the information on the bar schedules. At times, there were minor discrepancies between the information marked on the bars and the information reflected on the schedules. For example, occasionally the last decimal place of the fineness stamped on a bar did not match that of the schedule. The team was told that the Mint experienced data conversion problems when the schedules were converted from a previous software program to Excel. Therefore, West Point personnel believed that some fineness data on the bar schedules had been transposed or mis-sorted when the data conversion process took place. This sounded plausible, but the team decided to calculate the fine troy ounce (FTO) weight using the fineness marked on the bar to see if it matched the FTO weight listed on the schedule, since this would provide a small measure of assurance that a conversion or sorting error had occurred instead of a more serious situation. In all cases, it did match, and the team was satisfied that the fineness marked on the bar was correct. Team members then annotated their schedules and the United States Mint at West Point made changes to the computerized bar schedules so that future verification of those bars, if required, would not result in identification of any discrepancies. (b)(1)
- There was also a minor issue with the schedules in that in some instances, the hallmark (e.g., Handy and Harmon) was not reflected on the schedules. However, the team

accepted these deviations after verifying that the remaining information was sufficient to identify the bar. Again, West Point has made changes to their computerized schedules to ensure that the schedules accurately reflect hallmark information in case the bars are audited in the future.

- (b)(1)
- The 3,500 bars removed from Compartment [redacted] were placed in Compartment [redacted] after comparing information on the bars to the information on the bar schedules. While moving the bars, team members noticed that the cloth tape securing the Official Joint Seal on Compartment [redacted] was frayed and in need of replacement. A decision was made to replace the Seal at the end of the gold verification process rather than wait until the yearly Seal Inspection planned for late September.

- (b)(1)
- During the bar movement, 92 bars were selected by the OIG Representative for sampling. Drilling of the samples was performed on July 20th. The 92 bars were weighed for their pre-sample weight, samples were drilled and weighed, and the bars were weighed again after drilling. There were no discrepancies between actual bar weights and the bar weights recorded on the schedules, after consideration of the tolerances contained in Mint Policy Memorandum FIN-09. The Director's Representative, OIG Representative, and West Point Mint representative each independently computed all weights during the drilling/weighing process and agreed on sample and bar weights so that there would be no discrepancies in the information recorded by the representatives.

- (b)(1)
- The samples were taken to the FedEx mailing facility and mailed to the independent assay lab, and gold granules representing the amount of samples removed were placed in Compartment [redacted].

- (b)(1)
- Official Joint Seals were prepared showing the new compartment contents, and hung on Compartments [redacted] and [redacted]. A new Official Joint Seal was also prepared and hung on Compartment [redacted]. Padlocks or combinations were changed for any of the three compartments, since replacement of locks is scheduled to occur in September along with inspection of all Official Joint Seals.

- This year, the Mint implemented an inter-agency agreement with the U.S. Army, White Sands Missile Range in Las Cruces, New Mexico for gold assay testing. On August 16, 2005, White Sands provided assay results to the OIG and to the Mint COTR for the 92 samples forwarded to them on July 22nd. These results are being evaluated by the OIG to ensure that finenesses reflected on the bar schedules agree to the finenesses reported by the laboratory. Based on past assay test results, discrepancies are not expected, but if any are identified, a follow-up report will be forwarded to all recipients of this memorandum.

FINDINGS:

- The 2005 gold verification at the United States Mint at West Point was completed successfully, with 3,500 bars being moved and 92 samples taken. No significant discrepancies were found during bar movement. Minor discrepancies were found

between the information marked on a bar and the corresponding information reflected on the bar schedule; however, the team was satisfied that these discrepancies were the result of data conversion problems and did not represent inaccurate representation of assets in the Mint's accounting records.

(b)(1) > Compartment [redacted] contains 9,177 gold bars and Compartment [redacted] contains 4,389 bars. It is anticipated that the remaining 4,389 bars in Compartment [redacted] will be verified and moved during the next gold verification. (b)(1)

I would like to thank everyone involved in this year's gold verification for their cooperation and assistance in making the gold verification proceed smoothly. Should you have any questions regarding this memorandum or require further information, please do not hesitate to contact me at (202) 772-7430.

cc:

Primary Office of Inspector General (b)(6)

(b)(6)

ATTACHMENT A: VERIFICATION TEAM

United States Mint at West Point
 July 18, 2005 through July 22, 2005

Director's Representatives:

■ FO Office of Management Support and Internal Control
 ■ CFO Office of Financial Management

Plant Manager and Representatives:

- Plant Manager
- Coordinator
- Checkers and Alternates:
 -
 -
 -
 -
 -
 -
 -

Treasury Office of Inspector General Representatives:

-
-
-
-



(3)

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

(7)

104-09-0090
2877

September 30, 2004

(b)(6)

MEMORANDUM FOR:

ASSOCIATE DIRECTOR/OCFO

FROM:

Management and Program Analyst
Office of Management Services

(b)(6)

THROUGH:

Acting Deputy Chief Financial Officer

(b)(6)

SUBJECT:

2004 Annual Seal Inspection at the United States Bullion
Depository in Fort Knox

An Annual Seal Inspection was conducted at the United States Bullion Depository in Fort Knox, Kentucky on September 21, 2004. This process was conducted in accordance with the United States Mint Directive 8H-3, "Verification of Deep Storage Assets", Mint-wide Policy Memorandum FIN-08, "Assay Sampling of Deep Storage Assets", Mint-wide Policy Memorandum FIN-09, "Deep Storage Asset Verifications", Mint-wide Policy Memorandum FIN-10, "Official Joint Seals", Mint-wide Policy Memorandum FIN-11, "Rules of Conduct During Deep Storage Asset Verifications and Official Joint Seal Inspections", and Mint-wide Policy Memorandum FIN-12, "Documentation Requirements for Deep Storage Asset Verifications and Official Joint Seal Inspections".

Consistent with its role under the Chief Financial Officers (CFO) Act, the Department of Treasury, Office of Inspector General (OIG) observed this verification to attest to the accuracy of the custodial amounts for precious metals which are reported in the United States Mint's Schedule of Custodial Gold and Silver Reserves and financial statements.

The Seal Inspection was performed by a Director's Representative, an OIG Representative and a representative from the United States Bullion Depository in Fort Knox, as listed in Attachment A. The following describes the objectives and scope of the process and the Director's Representatives findings and conclusions.

OBJECTIVES AND SCOPE

The objectives of the verification and inspection are to assure that:

- The Deep Storage Assets in the custody of the United States Mint actually exist;
- The Deep Storage Assets are properly secured; and
- The Deep Storage Assets are accurately accounted for in the United States Mint's financial records.

The process covered the following activities:

- The FY 2004 Director's Representative, with the assistance of those listed in Attachment A, conducted a walk-through inspection of the Official Joint Seals. For each compartment under Official Joint Seal, an Official Joint Seal Inspection Report (MF 977) was prepared. The Seals were found to be in satisfactory condition. They showed no signs of deterioration nor did the griplocks and ribbons. Therefore, the assets under Official Joint Seal were accepted at the fine troy ounces recorded on the Seals.
- For each compartment under Official Joint Seal, the Director's Representative's padlock was changed. To ensure compliance with the above stated policies and procedures, the padlocks were exchanged from compartment to compartment, as opposed to new padlocks being used. This occurred as a result of Headquarters not having enough working padlocks.
- The Director's Representative assisted the Chief in resetting the combination on the escape hatch from the vault.

FINDINGS AND CONCLUSIONS

As a result of sampling that occurred during the FY 2000 verification, the fine ounces on the Statement of Assets and Liabilities disagree with the Treasury balance by .002 FTO. The OIG Representative and the Director's Representative agree that the difference is as a result of rounding in the sampling process; however the decision as to how the final accounting of the .002 Fine Ounces will occur has not been shared with the Director's Representative by the OIG to date.

In particular, the Director's Representative would like to thank the personnel at the United States Bullion Depository for being gracious hosts.

Should you have any questions regarding this memorandum or require further information, please do not hesitate to contact me at (202) 772-7026.

cc:

(b)(6)

Treasury Office of Inspector General

Attachment A: Verification Team
United States Bullion Depository
Fort Knox, Kentucky
September 21, 2004

(b)(6)

Director's Representative:

Management and Program Analyst, Office of Management Services, Program
Review Division

Plant Manager/Officer in Charge Representative:

Treasury Office of the Inspector General Representative:



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

104-09-0078

2 of 7

THANKS,
P. J. Ford 10/20/04

(b)(6)

September 30, 2004

MEMORANDUM FOR:

ASSOCIATE DIRECTOR/CHIEF FINANCIAL OFFICER

FROM:

Management and Program Analyst
Office of Management Services

(b)(6)

THROUGH:

Acting Deputy Chief Financial Officer

(b)(6)

SUBJECT: 2004 Annual Seal Inspection at the United States Mint at Denver

An Annual Seal Inspection was conducted at the United States Mint at Denver on September 28, 2004. This process was conducted in accordance with the United States Mint Directive 8H-3, "Verification of Deep Storage Assets", Mint-wide Policy Memorandum FIN-08, "Assay Sampling of Deep Storage Assets", Mint-wide Policy Memorandum FIN-09, "Deep Storage Asset Verifications", Mint-wide Policy Memorandum FIN-10, "Official Joint Seals", Mint-wide Policy Memorandum FIN-11, "Rules of Conduct During Deep Storage Asset Verifications and Official Joint Seal Inspections", and Mint-wide Policy Memorandum FIN-12, "Documentation Requirements for Deep Storage Asset Verifications and Official Joint Seal Inspections".

Consistent with its role under the Chief Financial Officers (CFO) Act, the Department of Treasury, Office of the Inspector General (OIG) observed this verification to attest to the accuracy of the custodial amounts for precious metals which are reported in the United States Mint's Schedule of Custodial Gold and Silver Reserves and financial statements.

The Seal Inspection was performed by a Director's Representative, an OIG Representative and a representative from the United States Mint at Denver, as listed in Attachment A. The following describes the objectives and scope of the process and the Director's Representatives findings and conclusions.

OBJECTIVES AND SCOPE

The objectives of the verification and inspection are to assure that:

- The Deep Storage Assets in the custody of the United States Mint actually exist;
- The Deep Storage Assets are properly secured; and
- The Deep Storage Assets are accurately accounted for in the United States Mint's financial records.

The process covered the following activities:

(b)(1)

- The FY 2004 Director's Representative, with the assistance of those listed in Attachment A, conducted a walk-through inspection of the Official Joint Seals. For each compartment under Official Joint Seal, an Official Joint Seal Inspection Report (MF 977) was prepared. The Seals were found to be in satisfactory condition; however, some of the older Seals are beginning to show signs of deterioration. These Seals are specifically listed below in the "Findings and Conclusions" section. Despite the deterioration of the Seals, there was no evidence that the Seals or any other part of the compartments had been tampered with and therefore, the assets under Official Joint Seal were accepted at the fine troy ounces recorded on the Seals.
- For each compartment under Official Joint Seal, the Director's Representative's padlock was changed. Of the 15 locks, one lock needed to be cut off using bolt cutters after three separate individuals unsuccessfully attempted to use the combination to open it. This lock, along with the other 14, was returned to Headquarters to be sent to a locksmith for cleaning, recalibration and to have new combinations set on them. On the lock that was cut, in addition to the above, the locksmith will need to replace the shackle.

FINDINGS AND CONCLUSIONS

It is the recommendation of the Director's Representative that the following Seals be replaced in FY 2005 for the reasons noted:

- Seal 944, dated April 27, 1979: The wax impressions are beginning to crumble and fall off of the ribbon to the bottom of the Seal jacket, thus making it difficult to identify the initials contained in the wax.
- Seal 1324, dated September 19, 1978: The wax impressions are beginning to crumble and fall off of the ribbon to the bottom of the Seal jacket, thus making it difficult to identify the initials contained in the wax.
- Seal 996, dated October 28, 1983: The wax impressions are beginning to crumble and fall off of the ribbon to the bottom of the Seal jacket, thus making it difficult to identify the initials contained in the wax.

In particular, the Director's Representative would like to thank the personnel at the United States Mint at Denver for being gracious hosts.

Should you have any questions regarding this memorandum or require further information, please do not hesitate to contact me at (202) 772-7026.

cc:

Treasury Office of Inspector General
Treasury Office of Inspector General

(b)(6)

Attachment A: Verification Team
United States Mint at Denver
September 28, 2004

(b)(6)

Director's Representative:

Management and Program Analyst, Office of Management Services, Program
Review Division

Plant Manager/Officer in Charge Representative:

•

•

Treasury Office of the Inspector General Representative:

•/

(b)(6)

FROM: _____
Management and Program Analyst
Office of Management Services

THROUGH: _____
Acting Deputy Chief Financial Officer

An Annual Seal Inspection was conducted at the United States Mint at Denver on September 28, 2004. This process was conducted in accordance with the United States Mint Directive 8H-3, "Verification of Deep Storage Assets", Mint-wide Policy Memorandum FIN-08, "Assay Sampling of Deep Storage Assets", Mint-wide Policy Memorandum FIN-09, "Deep Storage Asset Verifications", Mint-wide Policy Memorandum FIN-10, "Official Joint Seals", Mint-wide Policy Memorandum FIN-11, "Rules of Conduct During Deep Storage Asset Verifications and Official Joint Seal Inspections", and Mint-wide Policy Memorandum FIN-12, "Documentation Requirements for Deep Storage Asset Verifications and Official Joint Seal Inspections".

The Seal Inspection was performed by a Director's Representative, an OIG Representative and a representative from the United States Mint at Denver, as listed in Attachment A. The following describes the objectives and scope of the process and the Director's Representatives findings and conclusions.

The objectives of the verification and inspection are to assure that:

- The Deep Storage Assets in the custody of the United States Mint actually exist;
- The Deep Storage Assets are properly secured; and
- The Deep Storage Assets are accurately accounted for in the United States Mint's financial records.

The process covered the following activities:

- (b)(1)
- The FY 2004 Director's Representative, with the assistance of those listed in Attachment A, conducted a walk-through inspection of the Official Joint Seals. For each compartment under Official Joint Seal, an Official Joint Seal Inspection Report (MF 977) was prepared. The Seals were found to be in satisfactory condition; however, some of the older Seals are beginning to show signs of deterioration. These Seals are specifically listed below in the "Findings and Conclusions" section. Despite the deterioration of the Seals, there was no evidence that the Seals or any other part of the compartments had been tampered with and therefore, the assets under Official Joint Seal were accepted at the fine troy ounces recorded on the Seals.
 - For each compartment under Official Joint Seal, the Director's Representative's padlock was changed. Of the 15 locks, one lock needed to be cut off using bolt cutters after three separate individuals unsuccessfully attempted to use the combination to open it. This lock, along with the other 14, was returned to Headquarters to be sent to a locksmith for cleaning, recalibration and to have new combinations set on them. On the lock that was cut, in addition to the above, the locksmith will need to replace the shackle.

FINDINGS AND CONCLUSIONS

It is the recommendation of the Director's Representative that the following Seals be replaced in FY 2005 for the reasons noted:

- Seal 944, dated April 27, 1979: The wax impressions are beginning to crumble and fall off of the ribbon to the bottom of the Seal jacket, thus making it difficult to identify the initials contained in the wax.
- Seal 1324, dated September 19, 1978: The wax impressions are beginning to crumble and fall off of the ribbon to the bottom of the Seal jacket, thus making it difficult to identify the initials contained in the wax.
- Seal 996, dated October 28, 1983: The wax impressions are beginning to crumble and fall off of the ribbon to the bottom of the Seal jacket, thus making it difficult to identify the initials contained in the wax.

In particular, the Director's Representative would like to thank the personnel at the United States Mint at Denver for being gracious hosts.

Should you have any questions regarding this memorandum or require further information, please do not hesitate to contact me at (202) 772-7026.

cc:

Inspector General
Treasury Office of Inspector General

(b)(6)

Attachment A: Verification Team
United States Mint at Denver
September 28, 2004

(b)(6)

Director's Representative:

- [REDACTED] ent and Program Analyst, Office of Management Services, Program Review Division

Plant Manager/Officer in Charge Representative:

- [REDACTED]
- [REDACTED]

Treasury Office of the Inspector General Representative:

- [REDACTED]

| | Prepared By: | Cleared By: | Cleared By: |
|-----------|--|--|---------------------------|
| | [REDACTED] Management and Program Analyst, OMS | [REDACTED] Acting Assistant Director, OMS | [REDACTED] Acting DCFO |
| Signature | [REDACTED] | [REDACTED] | [REDACTED] |
| Date | 10/1/04 | 10/4/04 | 10/20/04 |



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

5

104-09-0070
2077

August 19, 2003

(b)(6)

Assistant Director for Management Services
United States Mint
Department of the Treasury
Washington D. C. 20220

(b)(6)

The FY 2003 Headquarters Representative, with the assistance of two persons from the Office of the Inspector General (OIG), conducted a walk-through inspection of the deep storage gold under official joint seal for the Fort Knox Bullion Depository on August 12, 2003. The Headquarters Representative and the OIG representatives concluded that the gold on hand was accurately reflected in the Bullion Accounting records as of August 12, 2003.

The following represents the objectives, scope, findings and conclusions of the settlement.

OBJECTIVES AND SCOPE

The objectives and scope of the Fort Knox annual inspection is to verify all the gold under joint seal as of the inspection date, ensure that this gold is properly and accurately recorded in the bullion accounting records, and prepare inspection reports for Official Joint Seals.

The Headquarters Representative was satisfied that the assets reported on Form 1068A - Inventory of Monetary Assets as of August 12, 2003 accurately reflected materials on hand at the Fort Knox Bullion Depository.

The joint seals were inspected and an Official Joint Seal Inspection Report (MF 977) has been prepared for each seal. The seals were found to be acceptable. There was no deterioration of the seals and/or grip locks, nor any frayed ribbons. Therefore, the assets under joint seal were accepted at the fine troy ounces recorded on the seals.

The attachments to this correspondence identify each compartment that is under Joint Seal and an additional compartment that contained assay samples, but was not jointly sealed. Each jointly sealed compartment is jointly sealed by representatives of the Director of the Mint and representatives of the Fort Knox Bullion Depository. The additional compartment that contained the assay samples was sealed and recorded by Ft. Knox Bullion Depository personnel only and was witnessed by me personally. Each Official Joint Seal Report and one separate seal report indicates the fine troy ounces (FTO's) of gold contained in each compartment.

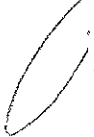
FINDING AND CONCLUSION

Official Joint Seals at the Fort Knox Bullion Depository recorded 147,341,848.210 FTO's of gold and the Bullion Accounting records reflected 147,341,848.210 FTO's. A separate seal was inspected that contained assay samples containing 10.172 FTO's. The total FTO's on hand were 147,341,858.382 and there was no difference between the physical inventory and the accounting records.

I would also like to express my appreciation for the cooperation and support of the Acting Officer in Charge, and all of the institutional personnel at the Fort Knox Bullion Depository. Their efforts assured a successful inspection.

Sincerely,

(b)(6)


Headquarters Representative

Attachments



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

10 104-09-0070
4077

OCT - 3 2002

(b)(6)

Assistant Director for Management Services
United States Mint
Department of the Treasury
Washington D. C., 20220

The FY 2002 Annual Settlement Chairperson with the assistance of two persons from the Office of the Inspector General (OIG), conducted a walk-through inventory of the deep storage gold under official joint seal for the Fort Knox Bullion Depository on September 26, 2002. The Chairperson and the OIG representatives concluded that the gold on hand was accurately reflected in the Bullion Accounting records as of September 26, 2002.

The following represents the objectives, scope, findings and conclusions of the settlement.

OBJECTIVES AND SCOPE

The objectives and scope of the Fort Knox settlement were to verify all the gold under joint seal as of the settlement date, ensure that this gold is properly and accurately recorded in the bullion accounting records, and prepare inspection reports for Official Joint Seals.

This inventory was conducted in accordance with the Mint Directive for Annual Settlement Instructions, MD 8H-1 dated 7/21/97. The Settlement Chairperson was satisfied that the assets reported on Form 1068A - Inventory of Monetary Assets as of September 26, 2002, accurately reflected materials on hand at the Fort Knox Bullion Depository.

The joint seals were inspected and Official Joint Seal Inspection Reports (MF 977) were prepared for each seal. The seals were found to be acceptable, and there was no deterioration of the seals and/or grip locks nor any frayed ribbons. Therefore, the assets under joint seal were accepted for settlement purposes at the fine troy ounces recorded on the seals.


The attachment to this correspondence identifies the compartments that are under Joint Seal. These compartments are jointly sealed by representatives of the Director of the Mint and representatives for the Fort Knox Bullion Depository. Each Official Joint Seal Report indicates the fine troy ounces (FTO's) of gold contained in each compartment.

FINDING AND CONCLUSION

Official Joint Seals at the Fort Knox Bullion Depository recorded 147,341,858.382 FTO's of gold and the Bullion Accounting records reflected 147,341,858.382 FTO's or no difference between the physical inventory and the accounting records.

I would also like to express my appreciation for the cooperation and support of the Officer in Charge, and all of the institutional personnel at the Fort Knox Bullion Depository. Their efforts assured a successful settlement.

Sincerely,

A handwritten signature, possibly "J. H. ...", followed by a horizontal line.

(b)(6)

Attachments



2

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
LANHAM, MD 20706

9164-09-0070
4087

August 20, 2001

(b)(6)

Deputy Director
United States Mint
Department of the Treasury
Washington D.C. 20220

The FY 2001 Annual Settlement Chairperson for the Fort Knox Bullion Depository conducted a walk-through inventory of the deep storage gold under official joint seal on June 29, 2001. The Chairperson concluded that the gold on hand was accurately reflected in the Bullion Accounting records as of June 29, 2001.

The following represents the objectives, scope, findings and conclusions of the settlement.

OBJECTIVES AND SCOPE

The objectives and scope of the Fort Knox settlement were to verify all the gold under joint seal as of the settlement date, ensure that this gold is properly and accurately recorded in the bullion accounting records, and prepare inspection reports for Official Joint Seals.

This inventory was conducted in accordance with the Mint Directive for Annual Settlement Instructions, MD 8H-1 dated 7/21/97. The Settlement Chairperson was satisfied that the assets reported on Form 1068A - Inventory of Monetary Assets as of June 29, 2001 accurately reflected materials on hand at the Fort Knox Bullion Depository.

The joint seals were inspected and Official Joint Seal Inspection Reports (MF 977) were prepared for each seal. The seals were found to be acceptable, and there was no deterioration of the seals and/or grip locks nor any frayed ribbons. Therefore, the assets under joint seal were accepted for settlement purposes at the fine troy ounces recorded on the seals. In addition, a verification of the cash imprest fund was conducted and the cash balance of \$1,000 was confirmed as recorded in the agency's financial records.

FINDING AND CONCLUSION

Official Joint Seals at the Fort Knox Bullion Depository recorded 147,341,858.382 FTO's of gold and the Bullion Accounting records reflected 147,341,858.382 FTO's or no difference between the physical inventory and the accounting records.

I would like to express my appreciation for the cooperation and support of the Officer in Charge, his representative, and all of the institutional personnel. Their efforts assured a successful settlement.

Sincerely,

(b)(6)

✓
Chairperson



4

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

11 104-09-0070
4077

SEP 25 2000

(b)(6)

Associate Director for Policy and Management/CFO
United States Mint
801 9th Street, N.W.
Washington D.C. 20220

A gold verification was conducted at the United States Mint Gold Depository, Fort Knox, Kentucky from July 10-19, 2000. This gold verification process was conducted in accordance with the Mint's Standard Operating Procedure for Gold Verification. Consistent with their role under the Chief Financial Officers (CFO) Act, the Department of Treasury, Office of the Inspector General (OIG) observed the gold verification to attest to the accuracy of the custodial amounts for precious metals which are reported in the Mint's annual financial statements. The verification committee consisted of Director's and facility representatives as listed in Attachment A. The verification process included opening the outgoing compartment and verifying by melt the number of gold bars to the existing bullion schedules. The process also included, weighing and drilling of selected bars to obtain assay samples, movement of the bars to the final storage compartment, sealing of the new storage compartment, and transferring of assay samples to the assay laboratory. The following describes the objectives and scope of the gold verification process and the Committee's findings and conclusions.

OBJECTIVES AND SCOPE

The objectives of the gold verification are to assure that:

- Gold in the custody of the U.S Mint physically exists.
- The fineness, year, and melt number stamped on each bar in that compartment agrees with the information stated on the certified bar schedule.
- The gold is properly secured.
- The gold is accurately accounted for in the Mint's financial records.

(b)(1)

The verification process covered the following activities:

- Compartment [redacted] was independently selected by the OIG to be verified.
- The OIG predetermined the sample size and individual bars to be drilled for assay determination.
- The Committee verified information on the existing Headquarters' bar schedules of gold bars in compartment [redacted] to the bars physically stored in that compartment.
- The gold bars inventoried in compartment [redacted] were then re-stacked in compartment [redacted] for final storage.
- Drill samples were taken from sample melts in order to validate the fineness of the bars being verified.
 - The Fort Knox Officer in Charge representative obtained samples by alternately drilling from the top and bottom the selected bars. (A total of 93 samples were selected).
 - The OIG independently assigned a control number to each sample prior to their transfer to Ledoux and Company, an independent contractor, responsible for determining the fineness of the sample assays. Ledoux's analysis of the samples provides independent verification to the fineness stated on the Mint certified gold bar listing. Ledoux will report the results of these assays to the OIG. The OIG will then provide to the Mint Ledoux's assay results as well as their opinion of the assay results on the samples taken.
 - Representatives from the Committee and the OIG accompanied by a U.S Mint police officer mailed the samples to Ledoux and Company via registered mail.

FINDINGS AND CONCLUSIONS

- A. All the bars verified were classified as "coin" gold, meaning that the fineness of the bars verified is less than high fine. The samples taken from melts contained a total of 10.172 FTO's of gold. Sweeps were collected from compartment 26 and the drilling location and placed in compartment [redacted] with the gold bars.
- B. There were no exceptions identified in verifying the recorded fineness and dates of each gold bar per Headquarter listing to the physical assets. No differences existed between the number of gold bars in each melt to the related bar listing.

(b)(1)

- C. At the conclusion of the verification, the committee affixed an Official Joint Seal, number 1591, to compartment [redacted]. The seal was signed by Fort Knox Depository, Mint Headquarters, and OIG representatives in order to establish joint control over these gold reserves. Mint headquarters and a Fort Knox representative affixed new combination locks to the joint sealed compartment.
- D. The OIG is in receipt of Ledoux assay report. To date we have not been informed by the OIG of their analysis of the assay results. Results of the OIG analysis will be communicated under separate memo.
- E. Contents of compartment [redacted] are as follows:

(b)(1)

(b)(1)

| | | | | |
|---|--------|--------------|---------------|--|
| [redacted] | | | | |
| Seal 1291 removed from Compartment [redacted] | 14,262 | 5,067,423.01 | 4,579,398.963 | |
| Less: Assay Samples | | (11.26) | (10.172) | |
| Total on Joint Seal 1591 placed on Compartment [redacted] | 14,262 | 5,067,411.75 | 4,579,388.789 | |

Should you have any questions or comments about this memorandum please contact me on (202) 354-7932.

Sincerely,

(b)(6)

Chairman
2000 Fort Knox Gold Verification

cc:

(b)(6)

*Personnel for FY2000 Fort Knox Gold Verification
July 10 through July 22, 2000*

(b)(6)

Bar Handlers

1. Fort Knox
2. West Point
3. Denver
4. Denver
5. Denver
6. Denver
7. San Francisco
8. San Francisco

Fort Knox Officer in Charge Representatives

1. West Point
2. West Point
3. San Francisco

Director Representatives

1. Headquarters
2. West Point
3. Headquarters

OIG Representatives

- 1.
- 2.
- 3.

GAO Representatives

None Attending



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

(4)

(b)(6)

35

104-06-074
Box 183.

Deputy Director
United States Mint
Department of the Treasury
Washington D. C. 20220

Dear :

The FY 2000 Annual Settlement Chairperson for the Fort Knox Bullion Depository conducted a walk-through inventory of the deep storage gold under official joint seal on August 31, 2000. The Chairperson concluded that the gold on hand was accurately reflected in the Bullion Accounting records as of August 31, 2000.

The following represents the objectives, scope, findings and conclusions of the settlement.

OBJECTIVES AND SCOPE

The objectives and scope of the Fort Knox settlement were to verify all the gold under joint seal as of the settlement date, ensure that this gold is properly and accurately recorded in the bullion accounting records, and prepare inspection reports for Official Joint Seals.

This inventory was conducted in accordance with the Mint Directive for Annual Settlement Instructions, MD 8H-1 dated 7/21/97. The Settlement Chairperson was satisfied that the assets reported on Form 1068A - Inventory of Monetary Assets as of August 31, 2000 accurately reflected materials on hand at the Fort Knox Bullion Depository.

The joint seals were inspected and Official Joint Seal Inspection Reports (MF 977) were prepared for each seal. The seals were found to be acceptable, and there was no deterioration of the seals and/or grip locks nor any frayed ribbons. Therefore, the assets under joint seal were accepted for settlement purposes at the fine troy ounces recorded on the seals.

The two attachments to this correspondence identify the compartments that are under Joint Seals and Agency Seals. Attachment A identifies those compartments that are jointly sealed by representatives of the Director of the Mint and the representatives from the Fort Knox Bullion Depository and the fine troy ounces (FTO's) of gold contained in each.

FINDING AND CONCLUSION

Official Joint Seals at the Fort Knox Bullion Depository recorded 147,341,848.208 FTO's of gold and the Bullion Accounting records reflected 147,341,848.208 FTO's or no difference between the physical inventory and the accounting records.

I would like to express my appreciation for the cooperation and support of the Officer in Charge, his representative, and all of the institutional personnel. Their efforts assured a successful settlement.

Sincerely,

A black rectangular redaction box covering the signature of the Chairperson.

Chairperson

(b)(6)

Attachments

FORT KNOX BULLION DEPOSITORY
1999 SETTLEMENT
AS OF AUGUST 31, 2000

| SEALS VERIFIED BY SETTLEMENT COMMITTEE | | | | BULLION ACCOUNTING FILES | | |
|--|------------|-----------------|------------|--------------------------|-----------------|-------------|
| COMPARTMENT | JOINT SEAL | FINE TROY | JOINT SEAL | BULLION | FINE TROY | FTO |
| NUMBER | BAR COUNT | OUNCE WEIGHT | NUMBER | RECORDS | OUNCE WEIGHT | DIFFERENCES |
| | 27,975 | 8,813,701.267 | 1401 | 27,975 | 8,813,701.267 | 0.000 |
| | 39,026 | 12,476,706.878 | 961 | 39,026 | 12,476,706.878 | 0.000 |
| | 39,905 | 12,467,829.110 | 1363 | 39,905 | 12,467,829.110 | 0.000 |
| | 4,183 | 1,319,436.545 | 1367 | 4,183 | 1,319,436.545 | 0.000 |
| | 38,518 | 15,247,927.092 | 934 | 38,518 | 15,247,927.092 | 0.000 |
| | 35,525 | 11,308,091.184 | 1292 | 35,525 | 11,308,091.184 | 0.000 |
| | 40,568 | 12,827,692.324 | 1404 | 40,568 | 12,827,692.324 | 0.000 |
| | 22,438 | 9,163,066.396 | 1320 | 22,438 | 9,163,066.396 | 0.000 |
| | 35,162 | 11,583,545.177 | 1408 | 35,162 | 11,583,545.177 | 0.000 |
| | 41,771 | 12,470,205.500 | 1422 | 41,771 | 12,470,205.500 | 0.000 |
| | 32,670 | 10,719,168.607 | 1364 | 32,670 | 10,719,168.607 | 0.000 |
| | 36,236 | 11,837,877.372 | 1424 | 36,236 | 11,837,877.372 | 0.000 |
| | 14,262 | 4,579,388.789 | 1591 | 14,262 | 4,579,388.789 | 0.000 |
| | 18,659 | 6,056,599.999 | 1358 | 18,659 | 6,056,599.999 | 0.000 |
| | 19,800 | 6,470,611.968 | 1553 | 19,800 | 6,470,611.968 | 0.000 |
| Total | 446,698 | 147,341,848.208 | | 446,698 | 147,341,848.208 | 0.000 |

(b)(6)

FINDING AND CONCLUSION

Official Joint Seals at the Fort Knox Bullion Depository recorded 147,341,848.208 FTO's of gold and the Bullion Accounting records reflected 147,341,848.208 FTO's or no difference between the physical inventory and the accounting records.

I would like to express my appreciation for the cooperation and support of the Officer in Charge, his representative, and all of the institutional personnel. Their efforts assured a successful settlement.

Sincerely,

(b)(6)

Chairperson

Attachments

(b)(6)

| | PREPARED BY | CLEARED BY | CLEARED BY | CLEARED BY | CLEARED BY | CLEARED BY | CLEARED BY | CLEARED BY |
|------------------|-------------|-----------------|------------|------------|----------------|------------|------------|------------|
| SURNAME & OFFICE | CCC | ASST DIR. PRANK | CFU | | DAVID E. LARAC | | | |
| INITIALS & DATE | | 1/11/10 | | | | | | |
| FILE NAME | AA | | | | | | | |



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

11 23 1999

(b)(6)

12 104-09-0070

4077

Deputy Associate Director
for Finance/DCEO
United States Mint
633 3rd Street, N.W.
Washington D.C. 20220

Acting Superintendent, West Point
West Point, New York 10996-0037

The West Point Gold Verification Committee conducted the only gold verification for fiscal year 1999 at the United States Mint, West Point, New York from June 7-18, 1999. This gold verification process was conducted in accordance with the approved Mint's Standard Operating Procedure for Gold Verification. Consistent with their role under the Chief Financial Officers' (CFO) Act to attest to the accuracy of the Mint's financial statements, representatives from the Department of Treasury, Office of the Inspector General (OIG) observed the gold verification. The verification included opening of the outgoing compartment, verifying the number of gold bars in each melt to the existing bullion schedules, movement of bars to the final storage compartment, weighing and drilling of selected bars necessary to obtain assay samples, sealing of the new storage compartment, and transferring of assay samples to the assay laboratory. With the exception of melt number 1593, all melts were verified to be in agreement with the current bar schedule. The findings of melt number 1593 are discussed in the Findings and Conclusion section of this report.

The following describes the objectives and scope of the gold verification process and the Committee's findings and conclusions.

OBJECTIVES AND SCOPE

The objectives of the gold verification is to assure that the gold in the Mint's custody is properly secured, accurately accounted for in the Mint's financial records, and the fineness stated on the certified bar schedule is correct. The OIG selected joint sealed _____ verified and predetermined the sample size and individual bars to be drilled for assay determination. The gold bars at West Point are stored under a joint seal and the fineness, year, and melt number are

(b)(1)

(b)(1)

stamped on each bar. The Committee verified this information by comparing the Headquarters' listings of gold bars in compartment [REDACTED] the gold bars physically stored in that compartment.

The gold bars inventoried in compartment [REDACTED] were then re-stacked in compartment [REDACTED] final storage, adding to the gold bars already stored in compartment [REDACTED]. Joint sealed compartment [REDACTED] was previously verified by the OIG and the contents of that compartment were accepted for this verification.

In order to validate the fineness of the bars being verified, drill samples were taken from sample melts. The OIG selected the melts to be sampled as well as the bars to be drilled from each sampled melt. The OIG predetermined that 94 melts would be sampled with drill samples coming from one to three different bars in each selected melt. West Point employees drilled alternating top and bottom samples from the bars selected. A total of 106 samples was selected. The OIG independently assigned a control number to each sample prior to their transfer to Ledoux and Company. Representatives from the Committee and the OIG accompanied by a U.S Mint police transferred the samples to Ledoux and Company, an independent contractor, responsible for determining the fineness of the sample assays. Ledoux's analysis of the samples provides independent verification to the fineness stated on the Mint certified gold bar listing. Ledoux will report the results of these assays to the OIG. The OIG will provide Ledoux's assay results to the Mint.

FINDING AND CONCLUSIONS

- A: The gold verification committee reduced melt number 1593 by .298 FTOs of gold. The OIG randomly selected this melt as part of their selection process of substantiating melt weights. After checking the weight of this melt three times, the committee concluded that this melt[1593], as prescribed in the gold verification directive, was out of tolerance. Under the procedure outlined in the verification directive the committee adjusted the weight of the melt to the actual weight.
- B: All verified gold bars had been melted by the Mint. None of the gold was newly mined. The samples contained a total of 11.160 FTOs of gold and .20 FTOs of silver. Sweeps were collected from compartment [REDACTED] from the drilling location and placed in compartment [REDACTED] the gold bars.
- C: No exceptions were identified in verifying the recorded fineness and dates of each gold bar to the physical assets. We also found no differences when we comparing the number of gold bars in each melt to the related bar listing.

(b)(1)

- D: At the conclusion of the verification, the committee affixed Official Joint Seal, number 1610, to compartment. The seal was signed by representatives from the West Point Mint, Mint Headquarters, and the OIG in order to establish joint control over these gold reserves. Also, a Mint headquarters and a West Point representative affixed new combination locks to the joint sealed compartment.
- E: An additional report will be issued at a future date when the assay results from the independent laboratory become available.
- F: The final compartment gold bar contents that the committee joint sealed is as follows:

(b)(1)

| | Bars | Gross Ounces | Gold Fine Troy Ounces | Silver Fine Troy Ounces |
|--------------------------------------|--------|--------------|-----------------------|-------------------------|
| Compartment before gold verification | 8,162 | 2,500,919.86 | 1,405,788.842 | 486,454.13 |
| Add: Gold Bars from Compartment | 12,364 | 4,751,625.43 | 2,799,048.155 | 904,898.10 |
| Less: Assay Samples | | (12.14) | (11.160) | (.20) |
| Less: Adjustment to melt 1593 | | (.30) | (.298) | |
| Total on Joint Seal | 20,526 | 7,252,532.85 | 4,204,825.539 | 1,391,352.03 |

Should you have any questions or comments about this memorandum please contact me on (202) 874-5869.

Sincerely,

(b)(6)

Chairman
1999 West Point Gold Verification

cc:

(b)(6)



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

OCT 20 1998

23
34 104-06-174
Box 2 of 3

(b)(6)

MEMORANDUM FOR:

OFFICER IN CHARGE
FORT KNOX BULLION DEPOSITORY

THROUGH:

Assistant Director Financial Planning,
Analysis & Review

FROM:

Acting Chief, Financial Analysis
and Review Division

SUBJECT:

Fort Knox 1998 Settlement Inventory Report

The enclosed draft Settlement Inventory Report and its attachments present the results of the annual inventory performed at the Fort Knox Bullion Depository on June 30, 1998. There were no differences between the inventory and accounting records, therefore, no accounting adjustments are necessary. Any administrative or accounting problems that occurred during the settlement will be addressed in a separate Administrative Letter as appropriate.

I would appreciate any comments you may have to this report by October 27, 1998. These comments will be included in the final report to the Director. I would like to thank you again for the fine support that you and your staff provided the settlement committee, assuring the success of this years settlement.

cc:



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

OCT 20 1998

(b)(6)

Director
United States Mint
Department of the Treasury
Washington, D. C. 20220

Dear

(b)(6)

The 1998 Annual Settlement Chairperson for the Fort Knox Bullion Depository conducted a walk-through inventory of the deep storage gold under official joint seal on June 30, 1998. The Chairperson concluded that the gold on hand was accurately reflected in the Bullion Accounting records as of June 30, 1998.

This 1998 inventory was observed by a representative from the Treasury's Office of the Inspector General (OIG).

The following represents the objectives, scope, findings and conclusions of the settlement.

OBJECTIVES AND SCOPE

The objectives and scope of the Fort Knox settlement were to verify all the gold under joint seal as of the settlement date, ensure that this gold is properly and accurately recorded in the bullion accounting records, and prepare inspection reports for Official Joint Seals.

This inventory was conducted in accordance with the Mint Directive for Annual Settlement Instructions, MD 8H-1 dated 7/21/97. The Settlement Chairperson was satisfied that the assets reported on MF 1068A - Inventory of Monetary Assets as of June 30, 1998 accurately reflected materials on hand at the Fort Knox Bullion Depository.

The joint seals were inspected and Official Joint Seal Inspection Reports (MF 977) were prepared for each seal. The seals were found to be acceptable, and there was no deterioration of the seals and/or grip locks nor any frayed ribbons. Therefore, the assets under joint seal were accepted for settlement purposes at the fine troy ounces recorded on the seals.

There are three attachments to this letter. The first two attachments identify the compartments that are under Joint Seals and Agency Seals. Attachment A identifies those compartments that are jointly sealed by representatives of the Director of the Mint and the representatives from the Fort Knox Bullion Depository and the fine troy ounces (FTO's) of gold contained in each. Attachment B

identifies those compartments that are sealed with Agency Seals which were inspected by the Committee and whose contents are not known to anyone other than the sealing agency, representatives of the Fort Knox Bullion Depository, and possibly the Chief, Security/Internal Review Staff at Mint Headquarters. The third attachment. (Attachment C), is the 1997 Settlement Report. The Deputy Director of the Mint had not concurred with the report prior to the 1998 Settlement. The Statement of Concurrence in this letter addresses both the 1997 and 1998 Settlements.

In addition, the settlement committee audited the facility imprest fund and verified that the total cash, checks and receipts pending disbursement totaled \$1,000 as reflected in the records at Headquarters. We also counted and verified the inventory of "Law Enforcement Coins" and found the inventory to be complete and accurate.

FINDING AND CONCLUSION

Official Joint Seals at the Fort Knox Bullion Depository recorded 147,341,870.463 FTO's of gold and the Bullion Accounting records reflected 147,341,870.463 FTO's or no difference between the physical inventory and the accounting records.

I would like to express my appreciation for the cooperation and support of the Officer in Charge, his representative, and all of the institutional personnel. Their efforts assured a successful settlement.

(b)(6)

Chairperson

Attachments

cc:

(b)(4)

-3-

Statement of Concurrence

(1997 and 1998 Fort Knox Bullion Depository Settlement Reports)

I concur with the findings and conclusions of this report and that the accounting records need not be adjusted.

Deputy Director
United States Mint

Date

FORT KNOX BULLION DEPOSITORY
1998 SETTLEMENT
AS OF JUNE 30, 1998

(b)(1)

| SEALS VERIFIED BY SETTLEMENT COMMITTEE | | | | BULLION ACCOUNTING FILES | | | |
|--|-------------------------|---------------------------|----------------------|--------------------------|---------------------------|--------------------|--|
| COMPARTMENT NUMBER | JOINT SEAL BAR COUNT | FINE TROY OUNCE WEIGHT | JOINT SEAL NUMBER | BULLION RECORDS | FINE TROY OUNCE WEIGHT | FTO DIFFERENCES | |
| | 27,975 | 8,813,701.267 | 1401 | 27,975 | 8,813,701.267 | 0.000 | |
| | 39,026 | 12,476,706.878 | 961 | 39,026 | 12,476,706.878 | 0.000 | |
| | 39,905 | 12,467,829.110 | 1363 | 39,905 | 12,467,829.110 | 0.000 | |
| | 4,183 | 1,319,436.545 | 1367 | 4,183 | 1,319,436.545 | 0.000 | |
| | 38,518 | 15,247,927.092 | 934 | 38,518 | 15,247,927.092 | 0.000 | |
| | 35,525 | 11,308,091.184 | 1292 | 35,525 | 11,308,091.184 | 0.000 | |
| | 40,568 | 12,827,692.324 | 1404 | 40,568 | 12,827,692.324 | 0.000 | |
| | 22,438 | 9,163,066.396 | 1320 | 22,438 | 9,163,066.396 | 0.000 | |
| | 35,162 | 11,583,545.177 | 1408 | 35,162 | 11,583,545.177 | 0.000 | |
| | 41,771 | 12,470,205.500 | 1422 | 41,771 | 12,470,205.500 | 0.000 | |
| | 32,670 | 10,719,168.607 | 1364 | 32,670 | 10,719,168.607 | 0.000 | |
| | 36,236 | 11,837,877.372 | 1424 | 36,236 | 11,837,877.372 | 0.000 | |
| | 14,262 | 4,579,398.963 | 1291 | 14,262 | 4,579,398.963 | 0.000 | |
| | 18,659 | 6,056,599.999 | 1358 | 18,659 | 6,056,599.999 | 0.000 | |
| | 19,800 | 6,470,611.968 | 1553 | 19,800 | 6,470,611.968 | 0.000 | |
| SUBTOTAL | 446,698 | 147,341,858.382 | | 446,698 | 147,341,858.382 | 0.000 | |
| MF 601 #00931 to Ledoux & Co. (Gold Verification) | | 12.081 | | | 12.081 | | |
| GRAND TOTAL | | 147,341,870.463 | | | 147,341,870.463 | | |

ATTACHMENT B

(b)(1)

FORT KNOX BULLION DEPOSITORY
1998 SETTLEMENT
AS OF JUNE 30, 1998

| COMPARTMENT NUMBER | AGENCY SEAL NUMBER | DATE SEALED | LIST OF CONTENTS |
|-----------------------|-----------------------|----------------|------------------|
| | 2615 | 10/01/97 | NOT AUTHORIZED |
| | 2616 | 10/01/97 | NOT AUTHORIZED |
| | 2617 | 10/01/97 | NOT AUTHORIZED |
| | 2614 | 10/01/97 | NOT AUTHORIZED |
| | 2618 | 10/01/97 | NOT AUTHORIZED |
| | 2619 | 10/01/97 | NOT AUTHORIZED |
| | 2620 | 10/01/97 | NOT AUTHORIZED |

Total Compartments 7



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

(b)(6)

Director
United States Mint
Department of the Treasury
Washington D. C. 20220

Dear _____

The 1997 Annual Settlement Chairperson for the Fort Knox Bullion Depository conducted a walk-through inventory of the deep storage gold under official joint seal on August 28, 1997. The Chairperson concluded that the gold on hand was accurately reflected in the Bullion Accounting records as of August 28, 1997.

This 1997 inventory was observed by two representatives from the Office of the Inspector General (OIG).

The following represents the objectives, scope, findings and conclusions of the settlement.

OBJECTIVES AND SCOPE

The objectives and scope of the Fort Knox settlement were to verify all the gold under joint seal as of the settlement date, ensure that this gold is properly and accurately recorded in the bullion accounting records, and prepare inspection reports for Official Joint Seals.

This inventory was conducted in accordance with the Mint Directive for Annual Settlement Instructions, MD 8H-1 dated 7/21/97. The Settlement Chairperson was satisfied that the assets reported on Form 1068A - Inventory of Monetary Assets as of August 28, 1997 accurately reflected materials on hand at the Fort Knox Bullion Depository.

The joint seals were inspected and Official Joint Seal Inspection Reports (MF 977) were prepared for each seal. The seals were found to be acceptable, and there was no deterioration of the seals and/or grip locks nor any frayed ribbons. Therefore, the assets under joint seal were accepted for settlement purposes at the fine troy ounces recorded on the seals.

The two attachments to this correspondence identify the compartments that are under Joint Seals and Agency Seals. Attachment A identifies those compartments that are jointly sealed by representatives of the Director of the Mint and the representatives from the Fort Knox Bullion Depository and the fine troy ounces (FTO's) of gold contained in each. Attachment B identifies those compartments that are sealed with Agency Seals which were inspected by the Committee and whose contents are not

known to anyone other than the sealing agency, representatives of the Fort Knox Bullion Depository, and possibly the Chief, Security/Internal Review Staff at Mint Headquarters.

FINDING AND CONCLUSION

Official Joint Seals at the Fort Knox Bullion Depository recorded 147,341,870.463 FTO's of gold and the Bullion Accounting records reflected 147,341,870.463 FTO's or no difference between the physical inventory and the accounting records.

I would like to express my appreciation for the cooperation and support of the Officer in Charge, his representative, and all of the institutional personnel. Their efforts assured a successful settlement.

Sincerely,

(b)(6)

✓ Chairperson

Attachments

cc:

(b)(6)

FORT KNOX BULLION DEPOSITORY
1997 SETTLEMENT
AS OF AUGUST 31, 1997

| SEALS VERIFIED BY SETTLEMENT COMMITTEE | | | | BULLION ACCOUNTING FILES | | | |
|--|-------------------------|---------------------------|----------------------|--------------------------|---------------------------|--------------------|--|
| COMPARTMENT NUMBER | JOINT SEAL BAR COUNT | FINE TROY OUNCE WEIGHT | JOINT SEAL NUMBER | BULLION RECORDS | FINE TROY OUNCE WEIGHT | FIO DIFFERENCES | |
| | 27,975 | 8,813,701.267 | 1401 | 27,975 | 8,813,701.267 | 0.000 | |
| | 39,026 | 12,476,706.878 | 961 | 39,026 | 12,476,706.878 | 0.000 | |
| | 39,905 | 12,467,829.110 | 1363 | 39,905 | 12,467,829.110 | 0.000 | |
| | 4,183 | 1,319,436.545 | 1367 | 4,183 | 1,319,436.545 | 0.000 | |
| | 38,518 | 15,247,927.092 | 934 | 38,518 | 15,247,927.092 | 0.000 | |
| | 35,525 | 11,308,091.184 | 1292 | 35,525 | 11,308,091.184 | 0.000 | |
| | 40,568 | 12,827,692.324 | 1404 | 40,568 | 12,827,692.324 | 0.000 | |
| | 22,438 | 9,163,066.396 | 1320 | 22,438 | 9,163,066.396 | 0.000 | |
| | 35,162 | 11,583,545.177 | 1408 | 35,162 | 11,583,545.177 | 0.000 | |
| | 41,771 | 12,470,205.500 | 1422 | 41,771 | 12,470,205.500 | 0.000 | |
| | 32,670 | 10,719,168.607 | 1364 | 32,670 | 10,719,168.607 | 0.000 | |
| | 36,236 | 11,837,877.372 | 1424 | 36,236 | 11,837,877.372 | 0.000 | |
| | 14,262 | 4,579,398.963 | 1291 | 14,262 | 4,579,398.963 | 0.000 | |
| | 18,659 | 6,056,599.999 | 1358 | 18,659 | 6,056,599.999 | 0.000 | |
| | 19,800 | 6,470,624.049 | 1,506 | 19,800 | 6,470,624.049 | 0.000 | |
| GRAND TOTAL | 446,698 | 147,341,870.463 | | 446,698 | 147,341,870.463 | 0.000 | |

(b)(1)

ATTACHMENT B

(b)(1)

FORT KNOX BULLION DEPOSITORY
1997 SETTLEMENT
AS OF AUGUST 28, 1997

| COMPARTMENT NUMBER | AGENCY SEAL NUMBER | DATE SEALED | LIST OF CONTENTS |
|-----------------------|-----------------------|----------------|------------------|
| | 2611 | 02/05/97 | NOT AUTHORIZED |
| | 2604 | 02/05/97 | NOT AUTHORIZED |
| | 2605 | 02/05/97 | NOT AUTHORIZED |
| | 2612 | 06/24/97 | NOT AUTHORIZED |
| | 2608 | 02/05/97 | NOT AUTHORIZED |
| | 2609 | 02/05/97 | NOT AUTHORIZED |
| | 2610 | 02/05/97 | NOT AUTHORIZED |

Total Compartments 7

Statement of Concurrence

(August 28, 1997 Fort Knox Bullion Depository Settlement Report)

I concur with the findings and conclusions of this report and that the accounting records need not be adjusted.

(b)(6)

Deputy Director
United States Mint

(b)(6)

Date



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

OCT 20 1998

(b)(6)

MEMORANDUM FOR

OFFICER IN CHARGE
FORT KNOX BULLION DEPOSITORY

THROUGH:

Assistant Director Financial Planning,
Analysis & Review

FROM:

Acting Chief, Financial Analysis
and Review Division

SUBJECT:

Fort Knox 1998 Settlement Inventory Report

The enclosed draft Settlement Inventory Report and its attachments present the results of the annual inventory performed at the Fort Knox Bullion Depository on June 30, 1998. There were no differences between the inventory and accounting records, therefore, no accounting adjustments are necessary. Any administrative or accounting problems that occurred during the settlement will be addressed in a separate Administrative Letter as appropriate.

I would appreciate any comments you may have to this report by October 27, 1998. These comments will be included in the final report to the Director. I would like to thank you again for the fine support that you and your staff provided the settlement committee, assuring the success of this years settlement.

cc:



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

OCT 20 1998

(b)(6)

Director
United States Mint
Department of the Treasury
Washington, D. C. 20220

The 1998 Annual Settlement Chairperson for the Fort Knox Bullion Depository conducted a walk-through inventory of the deep storage gold under official joint seal on June 30, 1998. The Chairperson concluded that the gold on hand was accurately reflected in the Bullion Accounting records as of June 30, 1998.

This 1998 inventory was observed by a representative from the Treasury's Office of the Inspector General (OIG).

The following represents the objectives, scope, findings and conclusions of the settlement.

OBJECTIVES AND SCOPE

The objectives and scope of the Fort Knox settlement were to verify all the gold under joint seal as of the settlement date, ensure that this gold is properly and accurately recorded in the bullion accounting records, and prepare inspection reports for Official Joint Seals.

This inventory was conducted in accordance with the Mint Directive for Annual Settlement Instructions, MD 8H-1 dated 7/21/97. The Settlement Chairperson was satisfied that the assets reported on MF 1068A - Inventory of Monetary Assets as of June 30, 1998 accurately reflected materials on hand at the Fort Knox Bullion Depository.

The joint seals were inspected and Official Joint Seal Inspection Reports (MF 977) were prepared for each seal. The seals were found to be acceptable, and there was no deterioration of the seals and/or grip locks nor any frayed ribbons. Therefore, the assets under joint seal were accepted for settlement purposes at the fine troy ounces recorded on the seals.

There are three attachments to this letter. The first two attachments identify the compartments that are under Joint Seals and Agency Seals. Attachment A identifies those compartments that are jointly sealed by representatives of the Director of the Mint and the representatives from the Fort Knox Bullion Depository and the fine troy ounces (FTO's) of gold contained in each. Attachment B

identifies those compartments that are sealed with Agency Seals which were inspected by the Committee and whose contents are not known to anyone other than the sealing agency, representatives of the Fort Knox Bullion Depository, and possibly the Chief, Security/Internal Review Staff at Mint Headquarters. The third attachment, (Attachment C), is the 1997 Settlement Report. The Deputy Director of the Mint had not concurred with the report prior to the 1998 Settlement. The Statement of Concurrence in this letter addresses both the 1997 and 1998 Settlements.

In addition, the settlement committee audited the facility imprest fund and verified that the total cash, checks and receipts pending disbursement totaled \$1,000 as reflected in the records at Headquarters. We also counted and verified the inventory of "Law Enforcement Coins" and found the inventory to be complete and accurate.

FINDING AND CONCLUSION

Official Joint Seals at the Fort Knox Bullion Depository recorded 147,341,870.463 FTO's of gold and the Bullion Accounting records reflected 147,341,870.463 FTO's or no difference between the physical inventory and the accounting records.

I would like to express my appreciation for the cooperation and support of the Officer in Charge, his representative, and all of the institutional personnel. Their efforts assured a successful settlement.

Sincerely,

(b)(6)

Chairperson

Attachments

cc:

(b)(6)

(b)(6)

Statement of Concurrence

(1997 and 1998 Fort Knox Bullion Depository Settlement Reports)

I concur with the findings and conclusions of this report and that the accounting records need not be adjusted.

Deputy Director
United States Mint

Date

FORT KNOX BULLION DEPOSITORY
1998 SETTLEMENT
AS OF JUNE 30, 1998

| SEALS VERIFIED BY SETTLEMENT COMMITTEE | | | | BULLION ACCOUNTING FILES | | | |
|--|----------------|------------------------|------------|--------------------------|------------------------|--------------|--|
| COMPARTMENT | JOINT SEAL | FINE TROY | JOINT SEAL | BULLION | FINE TROY | FTO | |
| NUMBER | BAR COUNT | OUNCE WEIGHT | NUMBER | RECORDS | OUNCE WEIGHT | DIFFERENCES | |
| | 27,975 | 8,813,701.267 | 1401 | 27,975 | 8,813,701.267 | 0.000 | |
| | 39,026 | 12,476,706.878 | 961 | 39,026 | 12,476,706.878 | 0.000 | |
| | 39,905 | 12,467,829.110 | 1363 | 39,905 | 12,467,829.110 | 0.000 | |
| | 4,183 | 1,319,436.545 | 1367 | 4,183 | 1,319,436.545 | 0.000 | |
| | 38,518 | 15,247,927.092 | 934 | 38,518 | 15,247,927.092 | 0.000 | |
| | 35,525 | 11,308,091.184 | 1292 | 35,525 | 11,308,091.184 | 0.000 | |
| | 40,568 | 12,827,692.324 | 1404 | 40,568 | 12,827,692.324 | 0.000 | |
| | 22,438 | 9,163,066.396 | 1320 | 22,438 | 9,163,066.396 | 0.000 | |
| | 35,162 | 11,583,545.177 | 1408 | 35,162 | 11,583,545.177 | 0.000 | |
| | 41,771 | 12,470,205.500 | 1422 | 41,771 | 12,470,205.500 | 0.000 | |
| | 32,670 | 10,719,168.607 | 1364 | 32,670 | 10,719,168.607 | 0.000 | |
| | 36,236 | 11,837,877.372 | 1424 | 36,236 | 11,837,877.372 | 0.000 | |
| | 14,262 | 4,579,398.963 | 1291 | 14,262 | 4,579,398.963 | 0.000 | |
| | 18,659 | 6,056,599.999 | 1358 | 18,659 | 6,056,599.999 | 0.000 | |
| | 19,800 | 6,470,611.968 | 1553 | 19,800 | 6,470,611.968 | 0.000 | |
| SUBTOTAL | 446,698 | 147,341,858.382 | | 446,698 | 147,341,858.382 | 0.000 | |
| MF 601 #00931 to Ledoux & Co. (Gold Verification) | | | | | 12.081 | | |
| GRAND TOTAL | | 147,341,870.463 | | | 147,341,870.463 | | |

(b)(1)

ATTACHMENT B

(b)(1)

FORT KNOX BULLION DEPOSITORY
1998 SETTLEMENT
AS OF JUNE 30, 1998

| COMPARTMENT NUMBER | AGENCY SEAL NUMBER | DATE SEALED | LIST OF CONTENTS |
|-----------------------|-----------------------|----------------|------------------|
| | 2615 | 10/01/97 | NOT AUTHORIZED |
| | 2616 | 10/01/97 | NOT AUTHORIZED |
| | 2617 | 10/01/97 | NOT AUTHORIZED |
| | 2614 | 10/01/97 | NOT AUTHORIZED |
| | 2618 | 10/01/97 | NOT AUTHORIZED |
| | 2619 | 10/01/97 | NOT AUTHORIZED |
| | 2620 | 10/01/97 | NOT AUTHORIZED |

Total Compartments 7



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

Attachment C

(b)(6)

Director
United States Mint
Department of the Treasury
Washington D. C. 20220

Dear :

(b)(6)

The 1997 Annual Settlement Chairperson for the Fort Knox Bullion Depository conducted a walk-through inventory of the deep storage gold under official joint seal on August 28, 1997. The Chairperson concluded that the gold on hand was accurately reflected in the Bullion Accounting records as of August 28, 1997.

This 1997 inventory was observed by two representatives from the Office of the Inspector General (OIG).

The following represents the objectives, scope, findings and conclusions of the settlement.

OBJECTIVES AND SCOPE

The objectives and scope of the Fort Knox settlement were to verify all the gold under joint seal as of the settlement date, ensure that this gold is properly and accurately recorded in the bullion accounting records, and prepare inspection reports for Official Joint Seals.

This inventory was conducted in accordance with the Mint Directive for Annual Settlement Instructions, MD 8H-1 dated 7/21/97. The Settlement Chairperson was satisfied that the assets reported on Form 1068A - Inventory of Monetary Assets as of August 28, 1997 accurately reflected materials on hand at the Fort Knox Bullion Depository.

The joint seals were inspected and Official Joint Seal Inspection Reports (MF 977) were prepared for each seal. The seals were found to be acceptable, and there was no deterioration of the seals and/or grip locks nor any frayed ribbons. Therefore, the assets under joint seal were accepted for settlement purposes at the fine troy ounces recorded on the seals.

The two attachments to this correspondence identify the compartments that are under Joint Seals and Agency Seals. Attachment A identifies those compartments that are jointly sealed by representatives of the Director of the Mint and the representatives from the Fort Knox Bullion Depository and the fine troy ounces (FTO's) of gold contained in each. Attachment B identifies those compartments that are sealed with Agency Seals which were inspected by the Committee and whose contents are not

known to anyone other than the sealing agency, representatives of the Fort Knox Bullion Depository, and possibly the Chief, Security/Internal Review Staff at Mint Headquarters.

FINDING AND CONCLUSION

Official Joint Seals at the Fort Knox Bullion Depository recorded 147,341,870.463 FTO's of gold and the Bullion Accounting records reflected 147,341,870.463 FTO's or no difference between the physical inventory and the accounting records.

I would like to express my appreciation for the cooperation and support of the Officer in Charge, his representative, and all of the institutional personnel. Their efforts assured a successful settlement.

Sincerely,

(b)(6)

✓ Charperson

Attachments

cc:

(b)(6)

FORT KNOX BULLION DEPOSITORY
1997 SETTLEMENT
AS OF AUGUST 31, 1997

| SEALS VERIFIED BY SETTLEMENT COMMITTEE | | | | BULLION ACCOUNTING FILES | | | |
|--|-------------------------|---------------------------|----------------------|--------------------------|---------------------------|--------------------|--|
| COMPARTMENT NUMBER | JOINT SEAL BAR COUNT | FINE TROY OUNCE WEIGHT | JOINT SEAL NUMBER | BULLION RECORDS | FINE TROY OUNCE WEIGHT | FIO DIFFERENCES | |
| | 27,975 | 8,813,701.267 | 1401 | 27,975 | 8,813,701.267 | 0.000 | |
| | 39,026 | 12,476,706.878 | 961 | 39,026 | 12,476,706.878 | 0.000 | |
| | 39,905 | 12,467,829.110 | 1363 | 39,905 | 12,467,829.110 | 0.000 | |
| | 4,183 | 1,319,436.545 | 1367 | 4,183 | 1,319,436.545 | 0.000 | |
| | 38,518 | 15,247,927.092 | 934 | 38,518 | 15,247,927.092 | 0.000 | |
| | 35,525 | 11,308,091.184 | 1292 | 35,525 | 11,308,091.184 | 0.000 | |
| | 40,568 | 12,827,692.324 | 1404 | 40,568 | 12,827,692.324 | 0.000 | |
| | 22,438 | 9,163,066.396 | 1320 | 22,438 | 9,163,066.396 | 0.000 | |
| | 35,162 | 11,583,545.177 | 1408 | 35,162 | 11,583,545.177 | 0.000 | |
| | 41,771 | 12,470,205.500 | 1422 | 41,771 | 12,470,205.500 | 0.000 | |
| | 32,670 | 10,719,168.607 | 1364 | 32,670 | 10,719,168.607 | 0.000 | |
| | 36,236 | 11,837,877.372 | 1424 | 36,236 | 11,837,877.372 | 0.000 | |
| | 14,262 | 4,579,398.963 | 1291 | 14,262 | 4,579,398.963 | 0.000 | |
| | 18,659 | 6,056,599.999 | 1358 | 18,659 | 6,056,599.999 | 0.000 | |
| | 19,800 | 6,470,624.049 | 1,506 | 19,800 | 6,470,624.049 | 0.000 | |
| GRAND TOTAL | 446,698 | 147,341,870.463 | | 446,698 | 147,341,870.463 | 0.000 | |

ATTACHMENT B

(b)(1)

FORT KNOX BULLION DEPOSITORY
1997 SETTLEMENT
AS OF AUGUST 28, 1997

| COMPARTMENT NUMBER | AGENCY SEAL NUMBER | DATE SEALED | LIST OF CONTENTS |
|-----------------------|-----------------------|----------------|------------------|
| [REDACTED] | 2611 | 02/05/97 | NOT AUTHORIZED |
| [REDACTED] | 2604 | 02/05/97 | NOT AUTHORIZED |
| [REDACTED] | 2605 | 02/05/97 | NOT AUTHORIZED |
| [REDACTED] | 2612 | 06/24/97 | NOT AUTHORIZED |
| [REDACTED] | 2608 | 02/05/97 | NOT AUTHORIZED |
| [REDACTED] | 2609 | 02/05/97 | NOT AUTHORIZED |
| A | 2610 | 02/05/97 | NOT AUTHORIZED |

Total Compartments 7

(b)(6)

-3-

Statement of Concurrence

(August 28, 1997 Fort Knox Bullion Depository Settlement Report)

I concur with the findings and conclusions of this report and that the accounting records need not be adjusted.

Deputy Director
United States Mint

Date

(b)(6)

-2-

In addition, the settlement committee audited the facility imprest fund and verified that the total cash, checks and receipts pending disbursement totaled \$1,000 as reflected in the records at Headquarters. We also counted and verified the inventory of "Law Enforcement Coins" and found the inventory to be complete and accurate.

FINDING AND CONCLUSION

Official Joint Seals at the Fort Knox Bullion Depository recorded 147,341,870.463 FTO's of gold and the Bullion Accounting records reflected 147,341,870.463 FTO's or no difference between the physical inventory and the accounting records.

I would like to express my appreciation for the cooperation and support of the Officer in Charge, his representative, and all of the institutional personnel. Their efforts assured a successful settlement.

Sincerely,

Chairperson

Attachments

CC:

(b)(6)

| | PREPARED BY | CLEARED BY | CLEARED BY | CLEARED BY | CLEARED BY | CLEARED BY | CLEARED BY | CLEARED BY |
|------------------|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| SURNAME & OFFICE | | <i>[Signature]</i> | <i>[Signature]</i> | <i>[Signature]</i> | <i>[Signature]</i> | <i>[Signature]</i> | <i>[Signature]</i> | <i>[Signature]</i> |
| INITIALS & DATE | <i>[Signature]</i> | <i>[Signature]</i> | <i>[Signature]</i> | <i>[Signature]</i> | <i>[Signature]</i> | <i>[Signature]</i> | <i>[Signature]</i> | <i>[Signature]</i> |
| FILE NAME | CAWP50/DOC97settle/reporthfortknex | | | | | | | |