



Audit of the Federal Prison Industries, Inc.
Annual Financial Statements
Fiscal Year 2021
Report Withdrawn



22-022

DECEMBER 2021



COMMENTARY AND SUMMARY

Audit of the Federal Prison Industries, Inc. Annual Financial Statements Fiscal Year 2021

Report Withdrawn

The originally issued audit report containing the Annual Financial Statements of the Federal Prison Industries, Inc. (FPI) for the fiscal year (FY) 2021, dated November 12, 2021, resulted in an unmodified opinion. However, during the FY 2023 audit of the FPI, management identified a material error in the FPI's FY 2021 financial statements that will require the restatement of the previously issued financial statements to correct the material error.

FPI is responsible for preparing financial statements in accordance with U.S. generally accepted accounting principles based on accounting standards issued by the Financial Accounting Standards Board. FPI adopted Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), in FY 2021, which determined how FPI recognized revenue in its financial statements. In FY 2023, FPI performed an analysis on revenue transactions meeting the criteria of Topic 606 and identified material misstatements in its FY 2021 financial statements related to the year-ending balance of gross revenue. The misstatements impact the Statements of Cumulative Results of Operations' presentation of revenue, cost of other revenue, other income, and related notes.

In response to these misstatements, and in accordance with OMB Circular A-136, *Financial Reporting Requirements*, FPI management provided the required notification to the Office of the Inspector General, the Congress, Office of Management and Budget, Department of the Treasury, and Government Accountability Office. To inform the public, FPI management removed the previously issued FY 2021 financial statements from the website where it was published and replaced it with a [notification](#) of the error and planned corrective action.

In accordance with government auditing standards and at the request of KPMG LLP—the independent public accounting firm that performed the audit of FPI's FY 2021 financial statements, the FY 2021 auditor's report has been withdrawn and the financial statements were removed from the Office of the Inspector General website and Oversight.gov. The FPI is in the process of taking corrective action and restating the previously issued financial statements for FY 2021 to correct the misstatement. The Office of the Inspector General will update this notification once restated financial statements are prepared, audited, and issued.