

## Management Assurances

### Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act of 1982 (Integrity Act or FMFIA) provides the statutory basis for management's responsibility for and assessment of internal accounting and administrative controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The Integrity Act requires federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable law; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. The Integrity Act also requires agencies to annually assess and report on the internal controls that protect the integrity of federal programs (FMFIA § 2) and whether financial management systems conform to related requirements (FMFIA § 4).

Guidance for implementing the Integrity Act is provided through OMB Circular A-123. In addition to requiring agencies to provide an assurance statement on the effectiveness of programmatic internal controls and conformance with financial systems requirements, the Circular requires agencies to provide an assurance statement on the effectiveness of internal control over financial reporting.

### FMFIA Assurance Statement

Department of Justice management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of FMFIA. In accordance with OMB Circular A-123, the Department conducted its annual assessment of the effectiveness of internal controls to support effective and efficient programmatic operations and compliance with applicable laws and regulations (FMFIA § 2) and whether financial management systems conform to government-wide requirements (FMFIA § 4). Based on the results of the assessment for the period ending September 30, 2009, I provide qualified assurance that the Department met the objectives of FMFIA. The assessment did not identify any systems non-conformances required to be reported under FMFIA § 4; however, the assessment identified two programmatic material weaknesses required to be reported under FMFIA § 2. These weaknesses involve the need to reduce the Bureau of Prisons (BOP) crowding rate, currently at 37 percent over the rated capacity, and the Federal Bureau of Investigation's (FBI) use of National Security Letters. Details of the exceptions are provided in the section *Summary of Material Weaknesses and Corrective Actions*. Other than the exceptions noted, the internal controls were operating effectively, and no other material weaknesses were found in the design or operation of the controls.

In accordance with Appendix A of OMB Circular A-123, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which included the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this assessment for the period ending June 30, 2009, I provide reasonable assurance that the Department's internal control over financial reporting was operating effectively, and no material weaknesses were found in the design or operation of the controls.

The Department of Justice is committed to maintaining strong program and financial management as we continue our mission of fighting terrorism and protecting our communities from crime. We take our program and financial accountability seriously and are dedicated to ensuring that funds received are expended responsibly and in a transparent manner. We look forward in FY 2010 to building on our achievements to further improve internal control as we continue the important work of the Department.



Eric H. Holder, Jr.  
Attorney General  
November 9, 2009

## Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to improve federal financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of federal programs. FFMIA requires agencies to have financial management systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction level. Furthermore, the Act requires independent auditors to report on agency compliance with the three requirements in the financial statement audit report. The Federal Information Security Management Act (FISMA) states that to be substantially compliant with FFMIA, there are to be no significant deficiencies in information security policies, procedures, or practices.

### FFMIA Compliance Determination

During FY 2009, the Department assessed its financial management systems for compliance with FFMIA and determined that, when taken as a whole, they substantially comply with FFMIA. This determination is based on the results of FISMA reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to issues identified during the Department's financial statement audit.

### Summary of the Department's Financial Statement Audit and Management Assurances

The following two tables summarize the results of the Department's financial statement audit and management assurances regarding the effectiveness of internal control over programmatic operations and financial reporting (FMFIA § 2), conformance with financial systems requirements (FMFIA § 4), and compliance with FFMIA.

**Table 3. Summary of Financial Statement Audit**

<b>Financial Statement Audit Opinion and Material Weaknesses</b>					
<b>Audit Opinion</b>	Unqualified				
<b>Restatement</b>	No				
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
None	0	0	0	0	0
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 4. Summary of Management Assurances**

<b>Effectiveness of Internal Control over Programmatic Operations (FMFIA § 2)</b>						
<b>Statement of Assurance</b>	Qualified					
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
Prison Crowding	1	0	0	0	0	1
Federal Bureau of Investigation Use of National Security Letters	1	0	0	0	0	1
<b>Total Material Weaknesses</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)</b>						
<b>Statement of Assurance</b>	Unqualified					
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
None	0	0	0	0	0	0
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Conformance with Financial Management Systems Requirements (FMFIA § 4)</b>						
<b>Statement of Assurance</b>	Systems Conform					
<b>Non-conformances</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
None	0	0	0	0	0	0
<b>Total Non-conformances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>						
<b>Overall Substantial Compliance</b>	<b>Agency</b>			<b>Auditor</b>		
	Yes			Yes		
<b>Compliance with Specific Requirements</b>						
<b>Systems Requirements</b>	Yes					
<b>Accounting Standards</b>	Yes					
<b>USSGL at Transaction Level</b>	Yes					