

Spotlight

Department of Homeland Security



Office of Inspector General

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Why This Matters

The Department of Homeland Security (DHS) continued to improve financial management in fiscal year (FY) 2011 and has achieved a significant milestone. For the first time since 2003, the Department was able to produce an auditable balance sheet and statement of custodial activity; and the independent auditors rendered a qualified opinion on those financial statements. Nevertheless, the Department still has much work to do. KPMG was unable to perform procedures necessary to form an opinion on DHS' internal control over financial reporting of the FY 2011 balance sheet and statement of custodial activity.

DHS Response

The Department agreed with the Independent Public Accountant's conclusions, and noted that the Department is committed to being a responsible steward of taxpayers dollars. Additionally, the Chief Financial Officer noted that the FY 2011 audit results show that the Department's corrective actions are working, and the Department is already focusing their efforts on remediating the remaining issues as they prepare for a full-scope audit in FY 2012.

For Further Information:

Contact our Office of Public Affairs at (202)254-4100, or email us at DHS-OIG.OfficePublicAffairs@dhs.gov

Independent Auditors' Report on DHS' FY 2011 Financial Statements and Internal Control over Financial Reporting

What We Determined

The independent public accounting firm KPMG LLP, DHS' financial statement auditor, has issued a "qualified" opinion regarding the DHS' balance sheet as of September 30, 2011, and the related statements of custodial activity for FY 2011. The qualification resulted from DHS' inability to represent that property, plant, and equipment, and environmental liabilities account balances were correct, and to provide sufficient evidence to support these balances in the financial statements.

Further, the report discusses nine significant deficiencies in internal control, five of which are considered material weaknesses, and six instances of noncompliance with laws and regulations.

KPMG was unable to perform the examination procedures necessary to form an opinion on DHS' internal control over financial reporting of the balance sheet as of September 30, 2011, and the statement of custodial activity for FY 2011.

What We Recommend

KPMG made 75 recommendations to help improve significant deficiencies in internal control, 5 of which are considered material weaknesses. The recommendations address issues related to:

Significant Deficiencies That Are Considered To Be Material Weaknesses

- A. Financial Reporting
- B. Information Technology Controls and System Functionality
- C. Property, Plant, and Equipment
- D. Environmental and Other Liabilities
- E. Budgetary Accounting

Other Significant Deficiencies

- F. Entity-Level Controls
- G. Fund Balance with Treasury
- H. Grants Management
- I. Custodial Revenue and Drawback

These recommendations also address the six instances of non-compliance with laws and regulations.