



Department of Homeland Security Office of Inspector General

Independent Auditor's Report on TSA's FY 2008 Mission Action Plans included in the DHS FY 2009 Internal Control Playbook





Homeland
Security

May 21, 2009

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

The attached report presents the results of the audit of the Transportation Security Administration's fiscal year 2008 Mission Action Plans. We contracted with the independent public accounting firm KPMG LLP (KPMG) to perform the audit. The contract required that KPMG perform the audit according to generally accepted government auditing standards and guidance from the Office of Management and Budget and the Government Accountability Office. KPMG is responsible for the attached auditor's report and the conclusions expressed in the report.

The recommendations herein have been discussed in draft with those responsible for implementation. We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner
Inspector General



KPMG LLP
2001 M Street, NW
Washington, DC 20036

April 27, 2009

Ms. Anne Richards
Assistant Inspector General for Audit
Department of Homeland Security, Office of the Inspector General

Ms. Peggy Sherry
Acting Chief Financial Officer
Department of Homeland Security

This report presents the results of our work conducted to address the performance audit objectives relative to the Department of Homeland Security's (DHS or the Department) Mission Action Plans (MAPs) developed to address the internal control deficiencies at the Transportation Security Administration. These deficiencies were identified by management and/or reported in the KPMG LLP (KPMG) Independent Auditors' Report included in the Department's fiscal year 2008 *Annual Financial Report*.

This performance audit is part of a series of three performance audits that the Department's Office of Inspector General (OIG) engaged us to perform related to the Department's fiscal year 2009 MAPs for use in developing the Department's *Internal Control Over Financial Reporting (ICOFR) Playbook*. This performance audit was designed to meet the objectives identified in the Objectives, Scope, Methodology and Approach section of this report. Our procedures were performed using the MAPs provided to us on January 5, 2009. Interviews with DHS and TSA management and other testwork was performed at various times through April 27, 2009, and our results reported herein are as of April 27, 2009.

We conducted this performance audit in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objectives.

This performance audit did not constitute an audit of the financial statements in accordance with *Government Auditing Standards*. KPMG was not engaged to, and did not, render an opinion on the Department's or TSA's internal control over financial reporting or over financial management systems (for purposes of OMB Circular No. A-127, *Financial Management Systems*, as revised). KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

KPMG LLP

Table of Contents

EXECUTIVE SUMMARY 3
BACKGROUND 5
OBJECTIVE, SCOPE, METHODOLOGY AND APPROACH 5
FINDINGS AND RECOMMENDATIONS 7
MANAGEMENT RESPONSE TO REPORT 10
KEY DOCUMENTS AND DEFINITIONS 11

EXECUTIVE SUMMARY

The Department has identified deficiencies in internal control over financial reporting through its annual assessment conducted pursuant to Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, and in compliance with the *Federal Managers' Financial Integrity Act* (FMFIA). Some of the deficiencies were identified as significant deficiencies or material weaknesses, in the Independent Auditors' Report included in the FY 2008 DHS Annual Financial Report (AFR). Beginning in 2006, the Department began a comprehensive corrective action plan to remediate known internal control deficiencies. The plan is documented in the *Internal Controls Over Financial Reporting Playbook* (ICOFR Playbook). The Mission Action Plan (MAP) is a key element of the ICOFR Playbook that documents the remediation actions planned for each internal control deficiency at the DHS component level. The MAP provides specific actions, timeframes, key milestones, assignment of responsibility, and validation procedures.

The Transportation Security Administration (TSA) developed two MAPs related to significant deficiencies or material weaknesses (as presented in the FY 2008 Independent Auditors' Report) submitted by TSA to the Department's Chief Financial Officer for inclusion in the FY 2009 ICOFR Playbook. The MAPs address control deficiencies identified in:

- Financial Reporting (including Entity-Level Controls)
- Property Management

Objective, Scope, Methodology and Approach

We conducted our audit in accordance with the standards applicable to such audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

The objective of this performance audit was to assess the status of prior year findings and recommendations made in our TSA performance audit report dated February 22, 2008. Our audit was performed using criteria to evaluate the MAP development process and content. The evaluation criteria were developed from a variety of sources including technical guidance published by OMB, the Government Accountability Office, and from applicable laws and regulations. We also considered DHS' policies and guidance, and input from the Office of Inspector General (OIG) when designing evaluation criteria. Our evaluation criteria were:

- Identification (of the root cause) – Identification of the appropriate underlying root cause that is causing the internal control deficiency condition(s).
- Development (of the MAP) – Clear action steps that address the root cause, and attainable and measurable milestones at an appropriate level of detail.
- Accountability (for execution of the MAP) – The individual MAP owner is responsible for its successful implementation, ensuring that milestones are achieved and that the validation phase is completed.
- Verification and validation – The MAP includes written procedures to verify successful implementation of the MAP, a means to track progress throughout the MAP lifecycle, and reporting results when complete.

Findings and Recommendations:

We found that TSA has prepared MAPs that address its known control deficiencies described above, and the MAPs were submitted timely to the Department for inclusion with the FY 2009 ICOFR Playbook. We noted that TSA did not remediate all prior year findings related to the performance audit. In particular:

1. The Financial Reporting MAP (including Entity-Level Controls) lacks specific milestones related to some root causes. The Issue Description is limited to a presentation of auditors' findings. In addition, the MAP lacks a clear linkage from the root cause to the actions and milestones. We

recommend that TSA management expand the MAP to address all root causes and clearly link milestones to root causes.

2. The Property Management MAP lacks a clear linkage from the root cause to the actions and milestones, and the Issue Description is limited to a presentation of auditors' findings. We recommend that TSA management expand the MAP to address all root causes, and clearly link milestones to root causes.

In addition, we noted other matters during our review of the MAPs. Specifically, the Financial Reporting MAP did not adequately demonstrate how TSA will address the key root cause, which is a lack of sufficient resources. In addition, the Property MAP focuses on prospective maintenance of reconciled balances, and does not adequately address the steps necessary to reconcile and correct erroneous balances that exist currently. We recommend that TSA supplement both MAPs to address these issues.

Our audit procedures were performed over the MAPs received on January 5, 2009, and we have not performed audit procedures on any modifications made to the MAPs after the start of our audit, and the effect of any modifications are not reflected in this report.

BACKGROUND

The Department of Homeland Security (DHS) and the Transportation Security Administration (TSA) recognize that deficiencies in internal control exist. The internal control deficiencies are reported by DHS management in its annual Secretary's Assurance Statement, issued pursuant to OMB Circular No. A-123, *Management's Responsibility for Internal Control*. The Secretary's Assurance Statement and the findings of the external auditor were reported in the Department's fiscal year (FY) 2008 *Annual Financial Report* (AFR). The conditions causing the internal control weaknesses are diverse and complex. Many conditions, which are systemic, were inherited with the legacy financial processes and IT systems in place at the time of the Department's formation in 2003. The evolution of the Department's mission, programs, component restructuring, and other infrastructure changes, has made remediation of these internal control weaknesses very challenging. To meet this challenge, the Department's Secretary, Chief Financial Officer and financial management in the DHS components adopted a comprehensive strategy to implement corrective actions beginning in FY 2006 and continuing into future years.

The Office of the Chief Financial Officer (OCFO), Internal Control Program Management Office (ICPMO) is primarily responsible for the development and implementation of the Department's strategy to implement Mission Action Plans (MAPs). The ICPMO has documented its strategy and other related plans to remediate identified internal control deficiencies in the *Internal Controls Over Financial Reporting Playbook* (ICOFR Playbook).

In 2006, the Department issued Management Directive 1030, *Corrective Action Plans*, and the Department enhanced its existing guidance by issuing the *FY 2009 Mission Action Plan Guide* (MAP Guide). To comply with Management Directive 1030 and the MAP Guide, TSA prepared two detailed MAPs to address the internal control deficiencies over Financial Reporting (including Entity-Level Controls) and Property Management. The control deficiencies are summarized below:

- Entity Level Controls – TSA lacks a sufficient number of skilled accounting staff in the proper positions in the Financial Statements and Report Branch, did not adequately direct and review outside contractors, has weaknesses in communication, instruction, training, supervision and/or coordination with personnel outside of the Office of Financial Management, and lacks sufficient oversight of financial reporting functions. In addition, the organizational structure in finance and accounting may not be optimally aligned with its resources.
- Financial Reporting – TSA has not followed policies and procedures consistently over supervisor reviews of financial statements and journal vouchers, or reviews have been ineffective. In addition, TSA places an inappropriate reliance on the audit as a control over financial reporting. TSA does not have effective procedures over review of work performed by outside contractors, and has not developed procedures to fully analyze the effects of its current and newly adopted accounting policies to ensure full compliance with generally accepted accounting principles (GAAP). TSA has not fully reconciled its intragovernmental balances with trading partners.
- Property Management – TSA does not have policies and procedures in place to properly account for and report equipment and internal use software balances. In addition, TSA did not adopt an appropriate asset capitalization dollar threshold.

OBJECTIVE, SCOPE, METHODOLOGY AND APPROACH

Objective and Scope

The objective of this performance audit was to assess the status of prior year findings and recommendations made in our performance audit report dated February 22, 2008. Our evaluation was performed using evaluation criteria, described in the methodology section below. We did not evaluate the

outcome of the MAP process or any corrective actions taken by management during our audit, and our findings should not be used to project ultimate results from MAP implementation. Recommendations are provided to help address findings identified during our performance audit.

The MAPs subjected to our evaluation were provided to us by the DHS OCFO, on behalf of TSA, on January 5, 2009. The scope of this performance audit did not include procedures on any of the MAPs associated with other control deficiencies existing at TSA as of September 30, 2008. Our audit was performed between January 5, 2009 and April 27, 2009, and our results reported herein are as of April 27, 2009.

We have not performed audit procedures on any modifications made to the MAPs after the start of our audit, and the effect of any modifications are not reflected in this report.

Methodology and Approach

We conducted this performance audit in accordance with the standards applicable to such audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Our methodology consisted of the following four-phased approach:

Project Initiation and Planning – We attended meetings with the Department’s OIG, OCFO, and TSA to review the performance audit objectives, scope, describe our approach, communicate data requests, and to gain an understanding of the status of TSA’s 2009 MAPs. We reviewed the prior year findings and recommendations made by KPMG in the performance audit report dated February 22, 2008, to gain an understanding of the issues to be evaluated.

Data Gathering – We performed interviews with accounting and finance management and staff at TSA and OCFO. Through these interviews, we gained an understanding of management’s assessment of its remediation of the prior year performance audit findings. We conducted meetings with the Department’s OIG to identify and agree to the criteria used to evaluate the status of the MAPs (as defined below).

We performed reviews of key documents and supporting information provided to us by OCFO, to verify if the prior year finding had been remediated in the development of the FY 2009 MAPs. Our documentation reviews included:

- The two TSA MAPs (i.e., the MAP Detail and Summary Reports) that were included within our scope, and any underlying supporting documentation provided by TSA.
- The Notices of Findings and Recommendations (NFRs) issued during the FY 2008 financial statement audit by the external auditors that supported the internal control findings reported in the FY 2008 Independent Auditors’ Report.
- The Annual Component Head Assurance Statements provided pursuant to the requirements of OMB Circular A-123.
- The ICOFR Playbook, MD 1030, the MAP Guide, and existing internal control monitoring guidance (e.g., OMB Circular No. A-123).

Analysis Using Established Criteria – Our evaluation criteria was developed from a variety of sources including technical guidance published by OMB, e.g., Circular A-123, the GAO, e.g. *Standards for Internal Control in the Federal Government*, and applicable Federal laws and regulations, e.g., FMFIA. We also considered DHS’ policies and guidance, e.g. the MAP Guide and the ICOFR Playbook, and input from the OIG. The evaluation criteria applied to our review of the status of prior year findings were:

- Identification (of the root cause) – Identification of the appropriate underlying root cause that is causing the internal control deficiency. A comprehensive analysis typically includes a full assessment of the business processes, data flows, and information systems that drive the transactions/activities associated with the accounting process where the internal control deficiencies are believed to exist. A thorough root cause analysis should include:

- Research to discover why, when, how the condition occurred – what went wrong and why?
 - Investigation to determine if the problem is design or execution, or both.
 - An evaluation to determine if IT system functionality is contributing to the problem and if IT system modifications could be part of the remediation.
 - An evaluation of internal controls, including the existence of compensating controls that may mitigate the deficiency.
- Development (of the MAP) – The MAP includes action steps that address the root cause, and attainable and measurable milestones at an appropriate level of granularity. Milestones should enable independent analysis of a MAP’s effectiveness in remediation of root causes and provide MAP users with insight on the status of the MAP’s implementation. For example, the MAP should enable a user to determine if the appropriate level of resources to execute a milestone is available and to identify potential missing elements in milestones (e.g. a contractor may be needed before a specific milestone can be achieved).
 - Accountability (for execution of the MAP) – Accountability for the MAP is clearly identified and assigned. The individual MAP owner is responsible for its successful implementation, ensuring the achievement of milestones and validation of results.
 - Verification and Validation – The MAP includes written procedures that verify successful implementation of the MAP, a means to track progress throughout the MAP lifecycle, and reporting results when complete. These activities should include documentation reviews, work observations, and performance testing that is maintained for internal OMB A-123 review and external audit.

Findings and Recommendations – After conducting our audit, we formulated our findings and recommendations. The findings are areas that TSA did not fully remediate prior year performance audit findings, and represent areas for potential improvement that could negatively affect TSA’s remediation of the significant deficiencies and/or material weaknesses if the MAP is performed as designed.

FINDINGS AND RECOMMENDATIONS

Findings:

TSA prepared and submitted MAPs to the OCFO as instructed in the MAP Guide. The MAPs address each of the three primary processes where significant deficiencies and material weaknesses existed at the end of FY 2008. (Note: The financial reporting and entity-level controls processes were combined into one MAP.) Based on our inquiry with TSA personnel, we determined that TSA was knowledgeable of the MAP Guide, performed a review to determine the source and cause of the control deficiencies, and incorporated the results into the individual MAPs in the form of milestones. We applied the prior year performance audit findings to the FY 2009 MAPs to determine if the findings were remediated in the development of the FY 2009 MAPs.

The chart below identifies the status of prior year findings. Further information is provided in the footnotes below.

Prior Year Finding	FY09 Status	Reference
All the MAPs do not adequately define the control deficiencies being corrected and/or the purpose of the MAP. The Issue Description section does not clearly define the underlying issues or problems that were identified during the root cause analysis, or lead the reader to the corrective actions (e.g., milestones). In some cases, known problems do not have corresponding milestones.	Repeated	A
The financial statement assertion sections of the MAPs were not complete at the time of our audit, and consequently, the MAP milestones are not linked to the financial statement	Resolved	-

assertions (e.g., completeness, accuracy, and existence) affected by the control weaknesses.		
The milestone steps are not clearly linked to root causes. As a result, we could not determine how the milestones related to the issues identified and root causes, or if the milestones listed in the TSA MAP sufficiently addressed all root causes and corresponding control deficiencies.	Repeated	B
Although not required by the DHS MAP Guide, critical interdependencies are not identified within each MAP and affected milestones. Specifically, interdependencies between milestones, between accounting processes, and with third parties should be identified and addressed.	Partially Repeated	C
The verification and validation (V&V) process is not consistently documented across each MAP. While general V&V procedures have been developed that apply to all MAPs and three of the MAPs include specific V&V procedures, the Employee Accrued Leave MAP does not include specific V&V procedures to test whether milestones have been successfully implemented. Instead, it includes outcomes that, if achieved, will indicate that corrective actions have been implemented. In addition, the V&V process is deferred until the end of the MAP instead of incrementally throughout the MAP process. However, preliminary testing procedures are performed on an ad-hoc basis. For those milestones in which preliminary testing procedures are not performed, validation is limited to a weekly review of the milestone progress.	Partially Repeated	D

References

A – This finding is repeated in the FY 2009 MAPs. We noted that the Issue Description section in both MAPs under review are limited to a presentation of the auditors’ findings, and the root cause analyses are not clearly linked to the issue descriptions. Consequently, it is difficult to determine if all root causes are addressed through the issue description, and subsequently, through the milestones. In addition, we noted that the Financial Reporting MAP did not identify the issues related to reconciliation of intragovernmental balances in the Issue Description.

B – This finding is repeated in the FY 2009 MAPs. The milestone steps in both MAPs under review are not clearly linked to root causes. Therefore, it is difficult to determine how the milestones related to the issues identified and root causes, or if the milestones sufficiently addressed all root causes and corresponding control deficiencies. We noted that the Financial Reporting MAP lacks specific milestones related to some root causes. For example, one identified root cause is the lack of people dedicated to financial reporting; however, there are no actions planned to address this. In addition, there are no specific actions planned to address the need for close and effective supervisory review of staff and contractors, other than the development of Standard Operating Procedures to include roles and responsibilities.

C – This finding is partially repeated in the FY 2009 MAPs. TSA identified dependencies to other MAPs in the MAP Summary reports on a high level. However, interdependencies are not identified within affected milestones or root causes. Full remediation of TSA’s control deficiencies may require the correction of other related control deficiencies, and/or advances made by other components in correcting their material weaknesses.

D – This finding is partially repeated in the FY 2009 MAPs. Verification and validation procedures appear appropriate as written; however, with expansion of the MAPs as noted above, additional V&V steps will be required, especially regarding supervisory reviews of staff and contractors. In addition, the V&V steps should be included in the milestones, with accountability and due dates assigned.

Other Matters

Although not directly linked to a prior year finding, we noted additional matters for consideration.

As noted in **B** above, the Financial Reporting MAP does not fully address the primary root cause of the material weakness, which is a lack of skilled resources or optimal deployment of current financial management.

In addition, although the Property MAP adequately describes the need for new processes, it does not fully address how TSA will update or redesign processes, procedures, and controls surrounding the new policies. The Property MAP is focused on prospective maintenance of reconciled balances. It does not adequately address the steps necessary to reconcile and correct the erroneous balances that currently exist. In order to be effective, the MAP should be divided into two parts: (1) the remediation of existing issues, and (2) the need for new policies, processes, and controls to maintain reconciled balances.

Cause:

The conditions noted above are due to a lack of a detailed and thorough analysis and review of the MAPs. The interdependency finding is due to the DHS MAP Guide not requiring interdependencies to be identified between specific milestones or root causes.

Effect:

The documentation issues noted above limit a reviewer from determining the effectiveness of the MAPs without performing a more detailed review or discussion with TSA management. In addition, it could result in ineffective MAPs that may not fully remediate the control deficiencies. The “Other Matters” noted above could result in the material weaknesses not being fully remediated.

Recommendations:

We recommend that TSA:

1. Continue to implement the prior year recommendations in developing its MAPs, contained in OIG Report No. 08-74, *Independent Auditors’ Report on TSA’s FY 2008 Mission Action Plans*.
2. Financial Reporting and Entity-Level Controls:
 - a. Expand the MAP by adding milestones to address all root causes. In particular, include action items related to:
 - i) Organizational issues related to sufficiency of skills and resources;
 - ii) Need for revised policies and processes for review and supervision of staff and contractors.
 - b. Expand the verification and validation procedures for the additional milestones noted above. In addition, ensure that V&V steps are assigned to an accountable person with due dates clearly defined.
3. Property Management:
 - a. Expand the MAP by adding milestones to address the steps necessary to reconcile and correct the erroneous balances that currently exist. We recommend that the MAP be split into two parts: (1) remediation of existing issues; and (2) implementation of new policies, processes, and controls to maintain reconciled balances.
 - b. Expand the MAP by adding milestones to address the need to update/redesign processes, procedures, and controls around the new policies that are identified.
 - c. Expand the verification and validation procedures for the additional milestones noted above. In addition, ensure that V&V steps are assigned to an accountable person with due dates clearly defined.

MANAGEMENT RESPONSE TO REPORT

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit management's response and, accordingly, we express no opinion on it.

KEY DOCUMENTS AND DEFINITIONS

This section provides key definitions and documents for the purposes of this report.

The Federal Managers' Financial Integrity Act (FMFIA) requires that Executive Branch Federal agencies establish and maintain an effective internal control environment according to the standards prescribed by the Comptroller General. Those standards are published in the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*. In addition, it requires the head of the agency to annually evaluate and report on the adequacy of the agency's systems of internal accounting and administrative control.

GAO's Standards for Internal Control in the Federal Government (Standards) defines internal control as an integral component of an organization's management that provides reasonable assurance of: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

The Department of Homeland Security Financial Accountability Act (the DHS FAA) brought the Chief Financial Officer (CFO) for DHS under the *Chief Financial Officers Act*, thus making the DHS CFO a Presidentially appointed position requiring Senate confirmation. Furthermore, the DHS FAA requires that an audit opinion of the internal controls over financial reporting be included in the Department's Performance and Accountability Report.

Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control, provides guidance on internal controls and requires agencies and Federal managers to 1) develop and implement internal controls; 2) assess the adequacy of internal controls; 3) separately assess and document internal control over financial reporting; 4) identify needed improvements; 5) take corresponding corrective action; and 6) report annually on internal controls. The successful implementation of these requirements facilitates compliance with both FMFIA and the *Chief Financial Officers Act*.

Office of Management and Budget (OMB) Circular No. A-127, Financial Management Systems, prescribes policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems. The successful implementation of these requirements facilitates compliance with both FMFIA and the *Chief Financial Officers Act*.

Internal Control Deficiencies – 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 DHS' ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of DHS' financial statements that is more than inconsequential will not be prevented or detected by DHS' internal control over financial reporting. 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 financial statements will not be prevented or detected by DHS' internal control.

Management Directive (MD) 1030, Corrective Action Plans, establishes DHS' vision and direction on the roles and responsibilities for developing, maintaining, reporting, and monitoring CAPs (i.e., MAPs) specific to the DHS FAA, FMFIA, and related OMB guidance. In addition to roles and responsibilities, MD 1030 outlines the policies and procedures related to the CAP process. The organizational structure detailed in MD 1030 encompasses employees at all components and offices.

The Internal Controls Over Financial Reporting (ICOFR) Playbook (ICOFR Playbook) was developed by the OCFO, Internal Control Program Management Office, to design and implement department-wide internal controls, pursuant to the DHS FAA, OMB Circular No. A-123, and FMFIA. Per the Executive

Summary in the FY 2008 ICOFR Playbook, the Playbook outlines the Department's "strategy to design and implement an effective internal control system to support the mission, eliminate material weaknesses, and build management assurances." On an annual basis, the ICOFR Playbook is updated by the OCFO to enhance its existing guidance, as necessary, and establish action plan milestones, which will be monitored by the OCFO throughout the year. One component of the ICOFR Playbook includes MAPs developed by the Department and its components to correct material weakness conditions and document accomplishments and progress (according to the FY 2008 Playbook).

The Mission Action Plan Guide, Financial Management Focus Areas Fiscal Year 2008 (MAP Guide) outlines the policies and procedures to be used to develop MAPs throughout DHS, pursuant to the roles and responsibilities established by the DHS Management Directive (MD) 1030, *Corrective Action Plans*. The MAP Guide applies to all Department Components and Offices (e.g., OCFO) where a control deficiency has been identified. Note non-conformances related to the *Federal Information Security Management Act (FISMA)*, are under the purview of the *Department's Chief Information Security Officer's Plan of Action and Milestones (POA&M) Process Guide*.

Electronic Program Management Office (ePMO) is a Web-based software application the OCFO deployed to manage the collection and reporting of MAP information.

Mission Action Plans (MAPs), as defined in the MAP Guide, are documents prepared to facilitate the remediation of internal control deficiencies identified by management or by external parties. MAP documentation, as described in detail in the MAP Guide, includes a MAP Summary Report and a MAP Detailed Report that are required to be submitted to the OCFO through ePMO. Below are brief descriptions of the MAP Summary and MAP Detailed Reports, based on the *ePMO MAP Reports Quick Guide* contained in the MAP Guide:

- The MAP Summary Report contains sections to describe the issue (e.g. internal control deficiency conditions), results of the root cause analysis performed, relevant financial statement assertions affected by the issue, key strategies and performance measures, resources required, an analysis of the risks and impediments as seen by management, verification and validation methods, and the critical milestones to be achieved.
- The MAP Detailed Report provides additional data on the milestones, not only on those identified as critical but also those sub-milestones under a critical milestone. For each milestone (critical or sub), the following data is reflected: due date, percentage of completion, status (e.g., Not Started, Work in Progress and Completed), and the responsible and assigned parties.

The Department's Annual Financial Report (DHS AFR) was published on November 17, 2008 and consists of the Secretary's Message, Management's Discussion and Analysis, Financial Statements and Notes, an Independent Auditors' Report, Major Management Challenges, and other required information. The AFR was prepared pursuant to OMB Circular A-136, *Financial Reporting Requirements*.



**Transportation
Security
Administration**

MAY 6 2009

Ms. Anne L. Richards
Assistant Inspector General for Audits
Department of Homeland Security
245 Murray Drive SW, Building 410
Washington, DC 20528

Dear Ms. Richards:

This letter responds to KPMG's audit of the Transportation Security Administration (TSA) Fiscal Year (FY) 2009 Mission Action Plans (MAPs) as reported in the *Draft Report: Independent Auditor's Report on TSA's FY 2008 Mission Action Plans included in DHS FY 2009 ICOFR Playbook* dated April 2009. The report discusses TSA's development of two MAPs to correct internal control deficiencies over financial reporting.

TSA concurs with KPMG's findings. We have revised our MAPs based on the recommendations as noted in the report. Please express my appreciation to your staff and the KPMG team for their efforts in completing this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "David R. Nicholson".

David R. Nicholson

Assistant Administrator and Chief Financial Officer
Office of Finance and Administration

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