



# Department of Homeland Security Office of Inspector General

## Management Letter for the FY 2009 DHS Financial Statement and Internal Control over Financial Reporting Audit





Homeland  
Security

February 25, 2010

### 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.

This report presents the management letter for DHS' FY 2009 financial statements and internal control over financial reporting audit. It contains observations and recommendations related to internal control that were not required to be reported in the financial statement audit report. The independent public accounting firm KPMG LLP (KPMG) performed the integrated audit of DHS' FY 2009 financial statements and internal control over financial reporting and prepared this management letter. Material weaknesses and other significant deficiencies were reported, as required, in KPMG's *Independent Auditors' Report*, dated November 13, 2009, which was included in the FY 2009 DHS *Annual Financial Report*. KPMG is responsible for the attached management letter dated December 9, 2009, and the conclusions expressed in it. We do not express opinions on DHS' financial statements or internal control, or provide conclusions on compliance with laws and regulations.

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

December 9, 2009

Office of Inspector General and Chief Financial Officer,  
U.S. Department of Homeland Security,  
Washington, DC

Ladies and Gentlemen:

We were engaged to audit the accompanying balance sheet of the U.S. Department of Homeland Security (DHS or Department) as of September 30, 2009 and the related statement of custodial activity for the year then ended (referred to herein as financial statements). We were also engaged to examine the Department's internal control over financial reporting of the balance sheet as of September 30, 2009, and statement of custodial activity for the year then ended. We were not engaged to audit the accompanying statements of net cost, changes in net position, and budgetary resources for the year ended September 30, 2009 (referred to herein as other fiscal year [FY] 2009 financial statements), or to examine internal control over financial reporting over the other FY 2009 financial statements. Because of matters discussed in our *Independent Auditors' Report*, dated November 13, 2009, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the FY 2009 financial statements. As stated in our report on internal control over financial reporting, we were unable to perform procedures necessary to form an opinion on DHS' internal control over financial reporting of the FY 2009 balance sheet and statement of custodial activity.

In connection with our FY 2009 audit engagement, we were also engaged to consider DHS' compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements which could have a direct and material effect on the balance sheet as of September 30, 2009, and the related statement of custodial activity for the year ended. Providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our engagement, and accordingly, we do not express such an opinion.

We noted certain matters involving internal control and other operational matters that are summarized in the Table of Financial Management Comments on the following pages, and presented for your consideration in Sections I – XIII of this letter. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These comments are in addition to the significant deficiencies presented in our *Independent Auditors' Report*, dated November 13, 2009, included in the FY 2009 DHS *Annual Financial Report*. A description of each internal control finding and its disposition as either a significant deficiency or a financial management comment is provided in Appendix A. Our findings related to information technology systems security have been presented in a separate letter to the Office of Inspector General and the DHS Chief Information Officer dated December 9, 2009.

As described above, the scope of our work was not sufficient to express an opinion on the balance sheet or statement of custodial activity of DHS as of September 30, 2009, and we were not engaged to audit the statements of net cost, changes in net position, and budgetary resources for the year ended September 30, 2009. Accordingly, other internal control matters and other instances of noncompliance may have been identified and reported had we been able to perform all procedures necessary to express an opinion on the fiscal year 2009 financial statements and had we been engaged to audit the other fiscal year 2009 financial statements. We aim, however, to



use our knowledge of DHS' organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended for the information and use of DHS' management, the Office of Inspector General, the U.S. Office of Management and Budget, the U.S. Congress, and the Government Accountability Office, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**

Department of Homeland Security  
*Table of Financial Management Comments*  
September 30, 2009

**TABLE OF FINANCIAL MANAGEMENT COMMENTS (FMC)**

<b>Section/Component</b>	<b>Comment Reference</b>	<b>Subject</b>	<b>Page(s)</b>
<b>I</b>		<b>Customs and Border Protection (CBP)</b>	<b>5-8</b>
	FMC 09-01	Miscellaneous Seized Inventory Findings	
	FMC 09-02	Lack of Formal Policies over Review of Importer Self-assessment Annual Notification Letters	
	FMC 09-03	Lack of Controls over the Timely Processing of Goods and Services Received	
	FMC 09-04	Weakness in CBP's Management Review of the Financial Statements	
	FMC 09-05	Weakness in CBP's Management Review of Contracts	
	FMC 09-06	Deficiencies in CBP's Controls over Calculating the Validity and Collectability of Nonentity Taxes, Duties, and Trade Receivables, (Net)	
	FMC 09-07	Deficiencies in CBP's Controls over the Application of Benefits to the Application of Benefits to Customs-Trade Partnership Against Terrorism (C-TPAT) Partners	
	FMC 09-08	Weaknesses in Accounting for Imputed Financing	
<b>II</b>		<b>Federal Emergency Management Agency (FEMA)</b>	<b>9-15</b>
	FMC 09-01	Lack of Supporting Documentation and Deficiencies in Development and Application of Policies for the Reporting of Internal Use Software and Internal Use Software in Development	
	FMC 09-02	Unavailability of Supporting Documentation for Certain Entity Level Controls	
	FMC 09-03	Temporary Adjustments of Fund Balance with Treasury Reconciling Differences	
	FMC 09-04	Internal Control Deficiencies over Claims Paid at Selected Insurance Companies that Participate in FEMA's National Flood Insurance Program (NFIP)	
	FMC 09-05	Inaccuracy of Claims' Loss Reserves at Selected Insurance Companies that Participate in FEMA's NFIP	
	FMC 09-06	Insufficient FEMA Oversight of the NFIP Service Provider's Methodology Used to Calculate Estimates in the FEMA Financial Statements	
	FMC 09-07	Deficiencies in the Submit for Rate Program and Claims Reinspection Program	
	FMC 09-08	Lack of Consistent Policies and Procedures over and Timely Documentation of the Initial Response Resources (IRR) Inventory Reconciliation Process	
	FMC 09-09	Lack of Consistent Policies and Procedures Involving the Monthly IRR Inventory Rollforward Process	
	FMC 09-10	Improvements Needed in Review and Recording of Year-end Mission Assignment Accrual	
	FMC 09-11	Internal Control Deficiencies over the NFIP Restricted Bank Account Reconciliation at Selected Insurance Companies that Participate in FEMA's National Flood Insurance Program	
	FMC 09-12	Internal Control Deficiencies over NFIP TIER JV Adjustments	
	FMC 09-13	Deficiencies in Development and Application of Policy and Lack of Controls Related to the Non-grant, Non-system-generated Accounts Payable Accrual	
	FMC 09-14	Ineffective Review Controls over the Accounts Receivable Process	

Department of Homeland Security  
*Table of Financial Management Comments*  
 September 30, 2009

FMC 09-15 Improvements Needed in Management’s Review of Grant Data and Automated Reconciliations in Grant Accrual Models

**III Federal Law Enforcement Training Center (FLETC) 16-21**

- FMC 09-01 Contract Review Process of Expenses
- FMC 09-02 Untimely Capitalization of Property, Plant and Equipment (PP&E)
- FMC 09-03 Budgetary Controls over Upward/Downward Adjustments
- FMC 09-04 Improper Expensing and Capitalization of CIP and PP&E costs
- FMC 09-05 Management Review of the Billing Process
- FMC 09-06 Management Review of Purchase Card Statements
- FMC 09-07 Accounts Payable Estimation Methodology
- FMC 09-08 Untimely Referral of Receivables to Treasury
- FMC 09-09 Budgetary Controls over Upward/Downward Adjustments – Untimely Deobligations
- FMC 09-10 Controls over Financial Reporting
- FMC 09-11 Capital Leases

**IV United States Citizenship and Immigration Services (USCIS) 22-28**

- FMC 09-01 Untimely Update of Adjudication Status within CLAIMS 3 and CLAIMS 4
- FMC 09-02 Applications Included in Deferred Revenue at Incorrect Fee Amounts
- FMC 09-03 Obligations are not Being Recorded in FFMS in a Timely Manner
- FMC 09-04 Discrepancies with the Leave Balances Between the NFC Records and STAR Web Reports are not Being Researched and Resolved Timely
- FMC 09-05 Inadequate Internal Controls over the Reporting of Fixed Assets
- FMC 09-06 Deficiencies in the Deferred Revenue Quality Assurance Process and the Internal Control Environment
- FMC 09-07 Inadequate and/or Inconsistent Supervisor Review of Payroll Transactions
- FMC 09-08 USCIS is Improperly Including EOIR/’Relief from Deportation’ Applications in the Deferred Revenue Query Results
- FMC 09-09 Compliance with OMB Guidance for TSP Deduction Forms
- FMC 09-10 Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner
- FMC 09-11 Inadequate and/or Inconsistent Supervisor Review of Personnel Actions
- FMC 09-12 Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance
- FMC 09-13 Insufficient Support for the Determination of Parking Withholdings
- FMC 09-14 Disbursements are Being Charged to an Improper Sub-object Class

**V Immigration and Customs Enforcement (ICE) 29-34**

- FMC 09-01 Untimely Execution of Reimbursable Agreements/Security Work Authorizations with Other Governmental Entities When ICE is Performing the Services
- FMC 09-02 Obligations are not Being Recorded in FFMS in a Timely Manner
- FMC 09-03 Discrepancies with the Leave Balances Between the NFC Records and webTA Reports are not Being Researched and Resolved Timely
- FMC 09-04 Lack of Procedures to Verify the Receipt and Acceptance of Goods or Services for IPAC Transactions/Lack of Information on IPAC Document
- FMC 09-05 Inadequacy/Ineffectiveness of Internal Controls over the Preparation and Review of the Pending/Threatened Litigation Against ICE
- FMC 09-06 Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner
- FMC 09-07 Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance

Department of Homeland Security  
*Table of Financial Management Comments*  
 September 30, 2009

- FMC 09-08 Inadequate and/or Inconsistent Supervisory Review of Personnel Actions
- FMC 09-09 Untimely Resolution of Differences Identified on the Statement of Differences
- FMC 09-10 Noncompliance with Human Resources Laws and Regulations
- FMC 09-11 Processing of Improperly Authorized Reclassification Requests
- FMC 09-12 Certain DRO Disbursements Should Have Been Allocated to Other Funding Sources
- FMC 09-13 IPAC Payments were made prior to an Obligation being set up in FFMS
- FMC 09-14 Lack of Supporting Documentation for the Distribution of the SF-132/SF-133 Reconciliation to the Budget Offices.

**VI Management Directorate (MGT) 35-37**

- FMC 09-01 Obligations are not Being Recorded into FFMS in a Timely Manner
- FMC-09-02 Inadequate Internal Controls over Property, Plant & Equipment (PP&E)
- FMC 09-03 Items in the Suspense Account are not Being Researched and Resolved in a Timely Manner as Defined by Treasury
- FMC 09-04 Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance
- FMC 09-05 Disbursements are Being Charged to an Improper Sub-Object Class (SOC)
- FMC 09-06 Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner

**VII National Protection and Programs Directorate (NPPD) 38-39**

- FMC 09-01 Obligations are not Being Recorded into FFMS in a Timely Manner
- FMC 09-02 Items in the Suspense Account are not Being Researched and Resolved in a Timely Manner as Defined by Treasury
- FMC 09-03 Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance
- FMC 09-04 Senior Executive Service (SES) Failed to File Financial Disclosure Report Timely as Required by the Code of Conduct
- FMC 09-05 Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner

**VIII Science & Technology Directorate (S&T) 40-41**

- FMC 09-01 Obligations are not Recorded in FFMS in a Timely Manner
- FMC 09-02 Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance
- FMC 09-03 SES Employees Failed to File Financial Disclosure Report Timely as Required by the Code of Conduct
- FMC 09-04 Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner

**IX Transportation Security Administration (TSA) 42-46**

- FMC 09-01 Undelivered Orders Documentation
- FMC 09-02 Required Supplementary Information
- FMC 09-03 Non-compliance with the Debt Collection Improvement Act (DCIA) of 1996
- FMC 09-04 Compliance with Human Resources Related Laws
- FMC 09-05 Ineffectiveness of Controls over the Time and Attendance Process
- FMC 09-06 Review of Service Organizations' Internal Controls
- FMC 09-07 Lease Accounting and Disclosure
- FMC 09-08 GAO Checklists Review
- FMC 09-09 Fund Balance with Treasury Controls

Department of Homeland Security  
*Table of Financial Management Comments*  
 September 30, 2009

	FMC 09-10	Lack/Ineffectiveness of Controls over the Accounts Receivable Process	
	FMC 09-11	Controls over Payroll Procedures	
<b>X</b>	<b>United States Coast Guard (USCG)</b>		<b>47-49</b>
	FMC 09-01	Accounts Receivable	
	FMC 09-02	Legal Liability Reporting	
	FMC 09-03	Nonexpenditure Transfer Forms	
<b>XI</b>	<b>United States Secret Service (USSS)</b>		<b>50</b>
	FMC 09-01	Lack of USSS Headquarters Review of Monthly Seized Counterfeit Currency Reconciliation	
<b>XII</b>	<b>Consolidated (CONS)</b>		<b>51-55</b>
	FMC 09-01	Tracking System for Ethics Training, Public Financial Disclosures, and Confidential Reports	
	FMC 09-02	Review of Component Financial Information	
	FMC 09-03	Lack of Department-wide Policies and Noncompliance with Debt Collection Improvement Act (DCIA) of 1996	
	FMC 09-04	Preparation of the Departmental Interim Legal Letter	
	FMC 09-05	Discrepancies Exist Between DHS Guidance and the Treasury Information Executive Repository (TIER) Analytical Report	
	FMC 09-06	Review of Federal Employees' Compensation Act (FECA) Actuarial Liability	
	FMC 09-07	Timely Documentation and Review of Intragovernmental Activity and Balances	
	FMC 09-08	OFM Review of 6/30 Annual Financial Report (AFR)	
	FMC 09-09	Component Monitoring Related to Review of GAO 2020 Checklists	
	FMC 09-10	Non-compliance with OMB Circular A-136 as Related to Management's Discussion and Analysis	
	FMC 09-11	Evidence of 9-30-09 Journal Voucher and Journal Voucher Log Review	
	FMC 09-12	Preparation and Review of the Special-Purpose Financial Statements and Notes	
<b>XIII</b>	<b>Office of Health Affairs (OHA)</b>		<b>56</b>
	FMC 09-01	Accounting for Bioshield Funds and Management Review	

**APPENDIX**

<b>Appendix</b>	<b>Subject</b>	<b>Page(s)</b>
<b>A</b>	<b>Crosswalk – Financial Management Comments to Active NFRs</b>	<b>57-68</b>
<b>B</b>	<b>Status of Prior Year NFRs</b>	<b>69-76</b>
<b>C</b>	<b>Management Response</b>	<b>77</b>



Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

## **I. CUSTOMS AND BORDER PROTECTION (CBP)**

### **CBP – FMC 09-01 – Miscellaneous Seized Inventory Findings (NFR No. CBP 09-28)**

We statistically selected nine seized property locations in which to observe the annual inventory and noted the following issues:

- At one Office of Border Patrol (OBP) temporary storage facility, we noted three instances where personnel accessed the storage facility without being accompanied by another CBP official.
- At one Seized Inventory Vault, we noted that a controlled substance seizure was outside of the allowed weight deviation but was not reported to the joint intake center per the inventory instructions. The vault reported the deviation subsequent to our inquiry.
- Upon receipt of the Certification memo from OBP over one sector, we noted that OBP reported multiple instances for which various OBP temporary storage facilities within the sector could not locate the seized property or a disposition of the property that was listed on the count sheet during the seized property inventory that resulted from delays in updating Seized Asset and Case Tracking System (SEACATS) with the proper locations once items were transferred.
- At one OBP temporary storage facility, controlled substance seizures reweights were not appropriately recorded on the add-on sheet. Therefore, SEACATS was not correctly input with the new weight.
- At one OBP temporary storage facility, there is no alarm system installed.

#### *Recommendations:*

We recommend that CBP OBP and Office of Field Operations:

- Ensure that OBP facilities follow the requirement that no fewer than two employees may enter the temporary storage facility at any time, and update the Seized Asset Management and Enforcement Procedures Handbook (SAMEPH) to reflect this requirement.
- Emphasize the importance of reporting tolerable weight differences identified during the inventory to all responsible parties, per the inventory instructions.
- Ensure proper recordkeeping of seized property at all seized vaults, including OBP, to include timely updating of transfers in SEACATS.
- Emphasize the importance of completing the add-on sheet properly, with any changes in weight from the previous weight to the time of inventory properly reflected.
- Ensure that alarm systems are properly installed at all temporary storage facilities to ensure safekeeping of seized and forfeited property.

### **CBP – FMC 09-02 – Lack of Formal Policies over Review of Importer Self-assessment Annual Notification Letters (NFR No. CBP 09-29)**

CBP has not formalized the requirements related to the review of the Annual Notification Letters. In our FY 2009 audit, we noted that checklists were completed for CBP's review of Annual Notification Letters selected in our sample; however, there is no requirement or directive implementing the completion of this checklist as a formal procedure. We noted that based on our inquiry and review of CBP's Mission Action Plan (MAP) CBP-MAP-08-29, CBP is in the process of incorporating the review of an Importer Self-assessment (ISA) annual notification review checklist into a Standard Operating Procedure or a desk review checklist as appropriate.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

This checklist will be used to conclude on whether a company is eligible for continued participation in the ISA program. We noted that the elements described in CBP-MAP-08-29 were not implemented as of September 30, 2009.

*Recommendations:*

We recommend that CBP issue internal guidance to formalize requirements for:

- Completion of the Annual Notification Internal Review Checklist, to include review of the Annual Notification Letter and review of the participant's risk to CBP based on information received from other CBP resources.
- Issuance of either a Continuation Letter or Removal Letter based on this review.

**CBP – FMC 09-03 – Lack of Controls over the Timely Processing of Goods and Services Received**  
*(NFR No. CBP 09-37)*

We noted that CBP lacks sufficient controls over the process of recording the receiving of goods and services timely throughout the year. Specifically, we noted:

- Contracting Officer Technical Receivers (COTRs) and goods receivers are not consistently recording receiving information into SAP.
- CBP does not have controls and review procedures to ensure that COTRs and goods receivers verify workflow messages and resolve items on the "parked invoice" report.
- Instances in which CBP disbursed payments outside of its normal process in SAP through wire transfers because the goods receipt/expense was not processed timely in SAP.

*Recommendations:*

We recommend that CBP:

- Reinforce the requirements of CBP Directive No. 5320-028C for a COTR or goods receiver to enter receiving information into SAP within five working days.
- Update policies and procedures to include procedures for supervisors to review the entry of goods receipt and service entry sheets into SAP.
- Establish procedures for the timely expensing of wire transfer payments and document the procedures requiring communication with the relevant contracting officer and COTR or relevant goods receiver to confirm goods or services have been received prior to initiating a wire transfer.

**CBP – FMC 09-04 – Weakness in CBP's Management Review of the Financial Statements**  
*(NFR No. CBP 09-38)*

During the National Finance Center's (NFCs) evaluation of CBP's June 30, 2009 pro forma financial statements, we noted instances in which account balances were presented on the incorrect line or the balances were incorrectly presented.

*Recommendation:*

We recommend that CBP NFC Management update their policies and procedures for assembling the financial statements to include standard reviews, approvals, and edit checks. The procedures should include an adequate review that includes agreement of amounts reported to supporting schedules, comparison of the statements as a whole to the requirements of the Office of

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

Management and Budget (OMB) Circular No. A-136, and other relevant financial reporting standards.

**CBP – FMC 09-05 – Weakness in CBP’s Management Review of Contracts (NFR No. CBP 09-44)**

We tested CBP’s undelivered orders (UDOs) as of June 30, 2009 and noted that CBP was unable to provide authorized obligating documents for nine of the 239 items requested. We noted that six of the nine obligating documents were initiated during FY 2009.

*Recommendation:*

We recommend that CBP Management develop a records tracking system for files that are relocated or procedures to maintain soft copies of authorized documents to ensure that the files are maintained and readily available for review.

**CBP – FMC 09-06 – Deficiencies in CBP’s Controls over Calculating the Validity and Collectability of Non-entity Taxes, Duties, and Trade Receivables, (Net) (NFR No. CBP 09-45)**

While performing dual-purpose testwork over a sample of CBP’s collectability and validity process, we noted the Office of Field Operations (OFO) and the National Finance Center (NFC) did not properly complete or review its procedures related to the collectability and validity process as follows:

- Four Fines and Penalties (F&P) “Validity and Collectability Analysis Checklists” did not match checklist guidelines and supporting documentation; one of the four incorrectly calculated the gross receivable amount.
- Four F&P cases in CBP’s sample analyzed by the NFC through the “results summary” did not match the “Validity and Collectability Analysis Checklists” and/or supporting documentation.
- Four F&P “Validity and Collectability Analysis Checklists” were completed as of the date of checklist completion rather than as of quarter end.
- Ten F&P cases’ “Results and Analysis Spreadsheets,” which are used to calculate the validity and collectability percentages, did not match the cases’ supporting documentation and thus resulted in an incorrect validity and collectability calculation.
- The sampling extrapolation was not correctly calculated for both the F&P and Supplemental Duty Bills “Results and Analysis Spreadsheets” in the second quarter.

*Recommendations:*

We recommend that CBP management provide training and/or additional guidance through policies and procedures in order to:

- Ensure OFO personnel are fully aware of the purpose and their responsibilities related to the collectability and validity process for F&P.
- Ensure the NFC performs and clearly documents its detailed review of the “Collectability and Validity Analysis Checklists” and “Results and Analysis Spreadsheets”.
- Ensure the sampling extrapolation is properly calculated each quarter.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**CBP – FMC 09-07 – Deficiencies in CBP’s Controls over the Application of Benefits to Customs-Trade Partnership Against Terrorism (C-TPAT) Partners (NFR No. CBP 09-46)**

While performing walk-throughs and testwork related to the C-TPAT program, we noted the following:

- When testing the control surrounding the application of C-TPAT benefits to Importer Partners in Automated Commercial System (ACS) at the National Targeting and Control Branch (NTCB), we noted that the reconciliation of changes in the C-TPAT Importer Partner benefits application only occurs on a quarterly basis. We note that this reconciliation is performed simultaneously with adjusting the statistical sample for Security Compliance Measurement; however, per discussion with the NTCB, ACS benefits can be removed at any time without affecting the sample. As a result of this time lag, a C-TPAT Partner who has a downgrade in C-TPAT Partner status immediately after the quarter end could improperly receive security screening benefits for almost three months.
- When testing the control surrounding the application of C-TPAT benefits to Importer Partners in Automated Targeting System (ATS), we noted that one C-TPAT partner, who should have received a higher level of benefits based on the results of the in-person validation, did not receive such benefits. When we brought this to the attention of CBP, this error was immediately fixed.

*Recommendations:*

We recommend that:

- The C-TPAT program and the NTCB perform a reconciliation of C-TPAT benefits on at least a monthly basis while maintaining the quarterly reconciliation for the Security Entry Summary Compliance Measurement statistical sample.
- The C-TPAT program continue to perform a regular review of C-TPAT Partners’ status in the C-TPAT program against the benefits granted in ATS in order to identify and correct any errors in the application of benefits.

**CBP – FMC 09-08 – Weaknesses in Accounting for Imputed Financing (NFR No. CBP 09-47)**

We noted CBP does not have sufficient policies and procedures to ensure the imputed financing sources calculation and the related journal entry are accurately calculated and properly reviewed prior to being recorded in the financial statements. During our testwork, we identified:

- CBP understated Imputed Financing (SGL 5780) and Imputed Costs (SGL 6730) by \$20,533,835 when calculating its imputed pension and other retirement benefits cost.
- CBP understated Imputed Financing (SGL 5780) and Imputed Costs (SGL 6730) by \$399,632 because of not appropriately accounting for a repeating imputed financing source.

*Recommendation:*

We recommend that CBP develop policies and procedures to ensure that the imputed financing sources calculation and related journal entry are thoroughly reviewed for accuracy prior to being recorded in the financial statements.

## II. FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

### **FEMA – FMC 09-01 – Lack of Supporting Documentation and Deficiencies in Development and Application of Policies for the Reporting of Internal Use Software and Internal Use Software in Development (NFR No. 09-12)**

We noted the following conditions during FY 2009 testwork over the Internal Use Software (IUS) process:

- FEMA has not yet drafted specific policies or implemented controls to effectively track and correctly report IUS and IUS in Development subsequent to fiscal year 2009.
- FEMA was unable to provide the supporting invoices for the Disaster Assistance Improvement Program and Document Management and Records Tracking System projects capitalized in fiscal year 2009:
- FEMA did not consistently follow the amortization policy determined in the IUS Interim CFO Directive 2600-009 .

#### *Recommendations:*

We recommend that FEMA:

- Continue to develop and finalize its IUS and IUS in Development reporting process to ensure procedures are formalized and controls are in place to adequately capture and capitalize all necessary costs incurred on future projects.
- Maintain adequate records of supporting documentation for all future IUS projects.
- Consistently apply the amortization method selected for all IUS projects placed into service.

### **FEMA – FMC 09-02 – Unavailability of Supporting Documentation for Certain Entity Level Controls (NFR No. 09-17)**

We noted the following exceptions related to entity-level control documentation during our FY 2009 testing:

- FEMA did not provide all of the necessary documentation for two of five new FEMA employees selected for testwork:
- FEMA did not provide any documentation related to performance reviews for the entire sample of five employees selected for testwork. As a result, we could not verify that each employee received a year-end assessment for FY 2008, and reviews for the first and second quarter of FY 2009.
- FEMA was unable to provide performance reviews for any FEMA Grant Development and Administration Division branch chiefs from the Grant Programs Directorate.

#### *Recommendations:*

We recommend that FEMA reinforce policies and procedures to:

- Document and maintain all new hire job announcements, required hiring approvals, and hiring-related personnel action forms.
- Ensure all first-level supervisors and employees participate in the quarterly and annual performance review process and document and maintain copies of all employee performance evaluations.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**FEMA – FMC 09-03 – Temporary Adjustments of Fund Balance with Treasury Reconciling Differences (NFR No. FEMA 09-28)**

During our September, 30, 2009 Fund Balance with Treasury reconciliation testwork and journal voucher review testwork, we noted that both the Reports Consolidation Branch and the FEMA Finance Center (FFC) posted temporary adjusting entries totaling a net of \$9,484,711 for differences that needed additional research in order to adjust cash to the balances reported by Treasury.

*Recommendation:*

We recommend that FEMA continue to improve the timeliness of reconciling differences with Treasury so that “temporary” adjustments are not needed.

**FEMA – FMC 09-04 – Internal Control Deficiencies over Claims Paid at Selected Insurance Companies that Participate in FEMA’s National Flood Insurance Program (NFIP) (NFR No. FEMA 09-36)**

For the periods ended March 31, 2009, June 30, 2009, and August 31, 2009, we tested a sample of claims paid totaling 688 items covering the three testing periods identified above. During this testing, we noted the following internal control deficiencies and errors:

- For one sample item, the claims file was not complete and the Final Report was not approved before the claim payment was processed and issued.
- For six sample items, the total amount paid to the insured did not agree to the amount indicated on the Final Report.
- For one sample item, the claim check was not properly authorized.
- For 12 sample items, the payments to the insurance company/adjusting firm for servicing the claim did not agree with the NFIP Fee Schedule.
- For eight sample items, loss reserves were not established at the correct amount when the insurance company received notification of loss.
- For 15 sample items, the loss reserve amounts were not adjusted as claim payments were made to the policyholder.
- For one sample item, for an open claim, the loss reserve amount was prematurely reduced to zero prior to the claim being closed.

*Recommendations:*

We recommend that FEMA:

- Follow-up with each of the insurance companies noted above to determine that appropriate corrective action has been implemented to address the exceptions noted in our testwork.
- Provide increased oversight to insurance companies participating in the NFIP to ensure claims files are being processed and reviewed in accordance with NFIP guidelines before approval and issuance of claim payments and to ensure the specific and consistent establishment and reporting of loss reserves and subsequent adjustments to the loss reserves.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**FEMA – FMC 09-05 – Inaccuracy of Claims’ Loss Reserves at Selected Insurance Companies that Participate in FEMA’s NFIP (NFR No. FEMA 09-37)**

We tested a sample of loss reserves reported as of March 31, 2009 and June 30, 2009, totaling 210 items and 275 items tested, respectively. During this testing, we noted the following inaccuracies at the respective insurance companies:

- For eight sample items, the loss reserve was not adjusted for subsequent claims adjuster documentation.
- For 11 sample items, the loss reserve was not adjusted for partial and/or advance payments made to the policyholder.
- For 14 sample items, the loss reserve was not closed in a timely manner after full payment of the claim was made to the policyholder.
- For two sample items, the entire or partial loss reserve was not supported by adequate supporting documentation.
- For two sample items, the loss reserve was not appropriately established/adjusted due to a claims adjuster clerical error.
- For one sample item, the loss reserve resulted from a duplicate reserve being created for a policy that was transitioned to a different policy number.
- For one sample item, the loss reserve was adjusted for a claim payment prior to the claim payment being paid to the policyholder.

*Recommendations:*

We recommend that FEMA:

- Provide adequate oversight for each insurance company during a vendor merger or vendor transition to ensure the new vendor maintains the necessary documents in order to support the financial transactions and balances it is inheriting.
- Follow-up with each of the insurance companies noted above to determine that appropriate corrective action has been implemented to address the exceptions noted in our testwork.
- Provide increased oversight to ensure the specific and consistent documentation of the established loss reserve and subsequent adjustment to the loss reserve per claim in the claim file at the insurance companies participating in the NFIP is maintained.

**FEMA – FMC 09-06 – Insufficient FEMA Oversight of the NFIP Service Provider’s Methodology Used to Calculate Estimates Reported in the FEMA Financial Statements (NFR No. FEMA 09-39)**

For FY 2009, we obtained and reviewed the updated methodology from the service provider and followed-up with the FEMA Office of the Chief Financial Officer (OCFO) concerning the sufficiency of the methodology. Based on the follow-up performed, we observed that the Mitigation Directorate did not provide the methodology to the FEMA OCFO and determined OCFO did not review and approve the service provider’s estimation methodology for the NFIP financial statements and ultimately the FEMA financial statements.

*Recommendations:*

We recommend that FEMA:

- Perform and document a formal review and approval of the NFIP service provider’s current estimation methodology by a knowledgeable individual within the OCFO’s Financial Management Division (FMD).

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

- Develop and implement procedures for the OCFO's FMD to timely complete such a review and approval whenever changes are made to the NFIP service provider's estimation methodology, to include procedures for the Mitigation Directorate to obtain and provide the changes to the OCFO timely.

**FEMA – FMC 09-07 – Deficiencies in the Submit for Rate Program and Claims Reinspection Program (NFR No. FEMA 09-41)**

As of the start of our FY 2009 audit procedures, the current NFIP service provider had been instructed by FEMA's Mitigation Division to begin using the NextGen 'FREE' and 'ezClaims' applications for all Submit for Rate Program and Claims Reinspection Program functions, respectively, even though NextGen did not have the authority to operate on a DHS network and was not the system of record.

Based on that information, the Submit for Rate Program and the Claims Reinspection Program were not operating using policy and claim data from the NFIP system of record during FY 2009.

*Recommendation:*

We recommend that FEMA's Mitigation Division use the official NFIP system of record as the basis for the Submit for Rate and Claims Reinspection Programs and not transition these program activities to a new system before it is authorized to operate as the system of record.

**FEMA – FMC 09-08 – Lack of Consistent Policies and Procedures over and Timely Documentation of the Initial Response Resources (IRR) Inventory Reconciliation Process (NFR No. FEMA 09-42)**

During our testwork over the IRR reconciliation, we noted IRR policies and procedures were not consistently applied and the IRR inventory reconciliation documentation was not effectively prepared and reviewed. Further, we determined that logistic centers were not consistent on inventory adjustment procedures, inventory adjustment documentation, or the treatment of IRR inventory "in transit" status.

*Recommendations:*

We recommend that FEMA continue its remediation of the weaknesses identified in the IRR reconciliation process. Additionally, we recommend supplemental training be provided to IRR staff to ensure the consistent application of current IRR policies and procedures.

**FEMA – FMC 09-09 – Lack of Consistent Policies and Procedures Involving the Monthly IRR Inventory Roll forward Process (NFR No. FEMA 09-43)**

During the fiscal year 2009 procedures performed over the monthly IRR roll forward process through May 31, 2009, we noted IRR policies and procedures were not consistently applied. Due to the high percentage of sites that failed to file the required Monthly Certification (see details below), we determined the IRR inventory Monthly Certifications and roll forward documentation were not effectively prepared and reviewed. Further, we determined the IRR inventory roll forward documentation was not prepared timely or available upon request.



Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

Specifically, we noted the following regarding the IRR roll forward Monthly Certifications:

- Twenty-four of fifty-six sites selected to provide an IRR roll forward signed certification for the month of January did not provide a signed certification.
- Sixteen of fifty-six sites selected to provide an IRR roll forward signed certification for the month of May did not provide a signed certification.

*Recommendation:*

As noted above, FEMA remediated the conditions identified above as of September 30, 2009. As such, we make no recommendation at this time.

**FEMA – FMC 09-10 – Improvements Needed in Review and Recording of Year-end Mission Assignment Accrual (NFR No. FEMA 09-50)**

FEMA did not perform a look-back validation of the estimated September 30, 2008 mission assignment (MA) accounts payable accrual to determine the accuracy and reliability of the recorded estimate or the process used to develop the estimate. In addition, FEMA accrued \$49,944,570 for the Department of Health and Human Services (HHS)-related accounts payable. This amount represented the full validated MA undelivered order balance rather than HHS' current unbilled receivables at September 30, 2009.

*Recommendations:*

We recommend that FEMA:

- Develop and implement procedures to compare the MA accounts payable accrual estimates to the actual expenses incurred, communicate with Other Federal Agencies (OFAs) on discrepancies noted to make estimation improvements in the future, and reassess the process to develop the estimate as necessary. The verification and validation should be documented and properly reviewed.
- Thoroughly review MA accounts payable accrual supporting documentation for reasonableness prior to recording amounts reported by OFAs, and communicate timely with OFAs on any discrepancies noted to prevent an intragovernmental reconciliation problem.

**FEMA – FMC 09-11 – Internal Control Deficiencies over the NFIP Restricted Bank Account Reconciliation at Selected Insurance Companies that Participate in FEMA's National Flood Insurance Program (NFR No. FEMA 09-51)**

Based on our testwork performed over the NFIP restricted bank account reconciliation for the 12 insurance companies selected for FY 2009 site visits, we noted the following exceptions for the period ended March 31, 2009:

- Five of the twelve insurance companies selected, lockbox receipts received on the last day of the month were not properly included in each company's general ledger resulting in and understatement for the period tested.
- One of the insurance companies selected, we noted an unsupported wire transfer transaction.
- One of the insurance companies selected, we noted two unsupported reconciling items on the March 31, 2009 bank reconciliation.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

*Recommendations:*

We recommend that FEMA:

- Follow-up with each of the insurance companies noted above to determine that appropriate corrective action has been implemented to address the exceptions noted in our testwork.
- Provide increased oversight to insurance companies participating in the NFIP to ensure that NFIP cash management procedures are being followed by insurance companies in accordance with NFIP guidelines.
- Provide adequate oversight for each insurance company during a vendor merger or vendor transition to ensure the new vendor maintains the necessary documents in order to support the financial transactions and balances it is inheriting.

**FEMA – FMC 09-12 – Internal Control Deficiencies over NFIP TIER JV Adjustments**  
(*NFR No. FEMA 09-53*)

As a result from our control testwork, we noted the process to record the change in U.S. Standard General Ledger (USSGL) 2690 and other NFIP accounts in the FEMA general ledger and financial statements is overly complex, and because of the complexity, is inherently error prone. Thus, the process for recording the NFIP TIER adjustments is not designed appropriately and not operating effectively to prevent, detect, or correct a material misstatement in the financial statements.

*Recommendation:*

We recommend that FEMA reevaluate the current NFIP entry process and develop and issue the Standard Operating Procedures (SOPs) specifically designed for the recording of NFIP financial statement information into the FEMA general ledger in a more simplified manner.

**FEMA – FMC 09-13 – Deficiencies in Development and Application of Policies and Lack of Controls Related to the Non-grant, Non-system-Generated Accounts Payable Accrual** (*NFR No. FEMA 09-54*)

FEMA performed extensive procedures in FY 2009, including the creation of a new accounts payable (A/P) estimation model, to effectively remediate the prior year findings noted in the background section above. However, we noted the following conditions during testwork over the new A/P estimation process:

- An accrual is not consistently generated for the certain fund codes or budget object class (BOC) codes that which should be accrued for,.
- Insufficient management review controls of the A/P model prior to recording the related journal vouchers (JVs).
- The A/P methodology tolerates an exceptionally high validation error rate—30 percent of the determined actual accrual amount.

*Recommendations:*

We recommend that FEMA:

- Ensure there is an accrual methodology in place for all necessary BOCs and fund codes.
- Revise the current A/P accrual methodology to incorporate robust management review controls of the A/P model prior to recording the related JVs.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

- Reevaluate the target error rate for the A/P accrual model validation to provide management with more reasonable assurance that the A/P accrual estimates recorded are not materially misstated.

**FEMA – FMC 09-14 – Ineffective Review Controls over the Accounts Receivable Process**  
*(NFR No. FEMA 09-56)*

FEMA does not have adequately designed controls to ensure sufficient review of the Treasury Report on Receivables (TROR) process. We specifically noted:

- There was no reviewer sign-off on the TROR and no evidence of proper review by the Accounts Receivable Section Chief at March 31, 2009.
- FEMA was unable to provide documentation supporting proper review and approval for two of the 45 accounts receivable adjustments selected for testwork as of June 30, 2009.

*Recommendations:*

We recommend that FEMA:

- Ensure review and approval procedures are consistently followed, as documented in the TROR Standard Operating Procedures.
- Ensure documents are maintained in a manner that will allow them to be readily available for management and audit review.

**FEMA – FMC 09-15 – Improvements Needed in Management’s Review of Grant Data and Automated Reconciliations in Grant Accrual Models** *(NFR No. FEMA 09-59)*

Our review of the FEMA’s implemented grant accrual process revealed the following control deficiencies within the process:

- FEMA did not exercise an appropriate level of management review when uploading model data and verifying the automated reconciliations performed within the legacy Grants and Training (G&T) and legacy FEMA grant accrual models.
- FEMA did not perform a grant accrual for its Assistance to Firefighter grants (AFG) at December 21, 2008.
- FEMA’s annual analysis of its legacy G&T grant accrual estimation model performed in FY 2009 did not provide adequate support for the expansion of the acceptable variance range and the actual amount used in the analysis to calculate the variance did not agree with the amounts for the respective quarter in the validation tab of the model.

*Recommendations:*

We recommend that FEMA:

- Update and implement documented policies and procedures that require an accountant to perform a quarterly completeness review of uploaded grant data and a quarterly manual review of automated reconciliations to verify the accuracy of source data amounts in every tab of the model that data amount appears.
- Develop and implement policies and procedures that define roles and responsibilities for initiating all grant accruals and obtaining appropriate information for the accruals.
- Develop appropriate criteria to reevaluate the acceptable variance range for the accruals and maintain support for its reevaluation.

---

**III. FEDERAL LAW ENFORCEMENT TRAINING CENTER (FLETC)****FLETC – FMC 09-01 – Contract Review Process of Expenses (NFR No. FLETC 09-16)**

We selected statistical samples totaling 267 expense transactions and obtained the related contract/purchase orders issued by the procurement division. We inspected the documentation supporting each sample to determine whether the contract /purchase order was subjected to the appropriate review prior to issuance and noted that 11 agreements were not properly signed and approved by a branch chief.

*Recommendations:*

We recommend FLETC:

- Improve its policies and procedures over the contract management process to ensure the proper reviews are completed prior to issuance of a contract.
- Provide additional training to appropriate personnel to ensure the proper reviews are completed prior to issuance of a contract.
- As part of FLETC's internal audit procedures, contracts should be selected at random throughout the year to ensure that all contracts are receiving the proper level of review.

**FLETC – FMC 09-02 – Untimely Capitalization of Property, Plant and Equipment (PP&E) (NFR No. FLETC 09-23)**

We selected a sample of 20 PP&E additions as of June 30, 2009 and noted the following:

- FLETC had not timely accounted for asset acquisitions or transferred completed assets from construction-in-progress (CIP) to in-use assets in its general ledger. 11 sample items were not timely recorded in the Momentum fixed asset module. Of the eleven untimely additions, ten items were completed CIP projects that were transferred to real property, and one item was equipment.
- Incorrect asset data was entered into the Momentum fixed asset module. We noted that for one sample item, the Momentum fixed asset module did not contain the in-service date. This resulted in the asset not being depreciated. For one sample item, the Momentum fixed asset module contained an incorrect catalog code which resulted in Momentum computing an incorrect useful life.

During our walk-through over the asset additions process, we inspected a journal voucher for the addition of a vehicle and noted that the incorrect Catalog Code was entered for the asset resulting in Momentum establishing an incorrect useful life for the asset.

*Recommendations:*

We recommend that FLETC:

- Adhere to SOPs and any other appropriate policies and procedures to ensure that data, including asset in-service dates, are correctly and timely entered in the Momentum fixed asset module.
- Adhere to management review procedures for ensuring that data entered into the Momentum fixed asset module is accurate.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

- Establish processes to improve communication between the Finance Division, Property Management Division, and Project Site Managers to ensure that assets are appropriately classified and consistently accounted for.

**FLETC – FMC 09-03 – Budgetary Controls over Upward/Downward Adjustments**  
(NFR No. FLETC 09-27)

In performing procedures over Standard General Ledger (SGL) 4972 – *Downward Adjustments of Prior-Year Paid Delivered Orders – Obligations, Refunds Collected*, and SGL 4982 – *Upward Adjustments of Prior-Year Delivered Orders – Obligations, Paid*, we noted:

- Activity related to payroll accruals and reversals, which did not represent valid upward and downward adjustments.
- Reverse adjustments to move the amounts from SGLs 4972 to 4971 – *Downward Adjustments of Prior-Year Unpaid Delivered Orders – Obligations, Recoveries* and from 4982 to 4981 – *Upward Adjustments of Prior-Year Delivered Orders – Obligations, Unpaid*, to correct previously posted entries erroneously posted to SGL 4971 and 4981.
- From a sample selected, we noted one exception where the transaction did not represent a valid downward adjustment.
- Two items, which were not de-obligated in a timely manner, resulting in downward adjustments in FY2009 rather than a prior fiscal year.

*Recommendations:*

We recommend that FLETC

- FLETC implement a comprehensive review process in order to ensure that all activity represents valid upward or downward adjustments.
- FLETC perform the comprehensive analysis of upward and downward adjustments at least annually.

**FLETC – FMC 09-04 – Improper Expensing and Capitalization of CIP and PP&E costs**  
(NFR No. FLETC 09-28)

While performing procedures over a statistical sample of SGL 1720 CIP for the period of October 1, 2008 through June 30, 2009, two of 14 CIP additions tested were improperly expensed and not capitalized as CIP in the general ledger. Both transactions related to the same building under construction which was completed and the cost capitalized during May 2009.

As a result of the exceptions noted, FLETC performed an analysis of expense transactions with BOC 31XX to identify similar transactions. As a result of the analysis, FLETC identified approximately \$2.9 million of assets which had been improperly expensed, one of which was a bulk purchase of computers.

*Recommendations:*

We recommend that FLETC:

- Develop and implement policies and procedures, including establishing capitalization thresholds appropriate for FLETC, over accounting for bulk personal property asset purchases.
- Perform a more detailed review of CIP-related invoices to verify that the appropriate amounts are capitalized or expensed.

Department of Homeland Security  
*Financial Management Comments*  
 September 30, 2009

---

- Implement a detailed review of the accounting data before contracts are approved and entered into Momentum to ensure that purchases are coded to the correct BOC and therefore properly capitalized or expensed.
- Implement a periodic review of expense transactions with BOC 31XX to identify any assets which were improperly expensed.

**FLETC – FMC 09-05 – Management Review of the Billing Process (NFR No. FLETC 09-29)**

We selected a statistical sample of 21 training revenue transactions and an additional sample of 16 revenue transactions from general ledger account code 5200, *Revenue from Services Provided*, as of June 30, 2009. During our testing, we noted the following:

- One training revenue transaction for tuition of \$4,255 was not properly billed to the customer. The error was identified for review; however, no correction or review took place before the information was transmitted to the Finance Division.
- One training revenue transaction for tuition resulted in an overbilled amount of \$4,919. Subsequent to our testwork, FLETC posted a correcting entry and issued a credit to the customer.
- Two training revenue transactions for lodging costs resulted in overbilled amounts of \$687 and \$494. Subsequent to our testwork, FLETC posted a correcting entry and issued a credit to the customer.

*Recommendations:*

We recommend that FLETC:

- Implement a review process prior to the Budget Division submitting information to the Finance Division to ensure the billing information is complete and accurate.
- Finance Division should implement a review process prior to the release of customer billing documents to ensure bills were properly generated.

**FLETC – FMC 09-06 – Management Review of Purchase Card Statements (NFR No. FLETC 09-30)**

We noted the following exceptions over management review of monthly charge card statements:

- 13 instances where the statement was not signed by cardholder or supervisor.
- 21 instances where the statement was signed by both cardholder and supervisor, but the signatures were not dated, leading to the determination of an untimely approval exception.
- Five instances where the approval date was not within the 14-day criteria, leading to the determination of an untimely approval exception.
- One instance (sample #1) where the transaction was not coded to the correct fund. We noted that this transaction was related to minor construction, which is fund MCM. However, it was incorrectly coded to Fund SE.

*Recommendation:*

We recommend FLETC review randomly selected purchase card statements throughout the year to ensure that all statements are being reviewed properly and that they are being coded to the proper fund.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**FLETC – FMC 09-07 – Accounts Payable Estimation Methodology (NFR No. FLETC 09-31)**

We selected a statistical sample of 80 accrual estimates as of September 30, 2009 and examined the appropriateness of the accrual based on either subsequent payments and/or the estimation methodology. The results of testing are as follows:

- Seven instances where the amount was over accrued by \$50,000 or more.
- Four instances where the amount was under accrued by \$50,000 or more.

We selected a statistical sample of 69 subsequent disbursements for the period October 1, 2009 through November 17, 2009 and noted the following:

- Two instances where FLETC under accrued in the total amount of (\$301 thousand).
- FLETC erroneously included \$146 thousand of FY 2008 travel-related disbursements in FY 2009 activity.

*Recommendation:*

We recommend FLETC implement improved policies and procedures to enhance the communication between the contracting officers/program managers and Finance to ensure that the accrual estimates are accurate and reasonable based on the available supporting documentation.

**FLETC – FMC 09-08 – Untimely Referral of Receivables to Treasury (DCIA)  
(NFR No. FLETC 09-32)**

As of June 30, 2009, we judgmentally selected a sample of 32 receivables over 180 days old from the accounts receivable detail. The results of testing are as follows:

- 18 items were submitted to Treasury in an untimely manner.
- Nine items were not submitted to Treasury.
- One item was misclassified as a public entity, when it was a federal entity.

*Recommendation:*

We recommend FLETC that implement improved policies to monitor outstanding receivables on a monthly basis to ensure that delinquent receivables are referred to Treasury in a timely manner.

**FLETC – FMC 09-09 – Untimely Referral of Receivables to Treasury (DCIA)  
(NFR No. FLETC 09-33)**

While performing testwork procedures over SGL 4871 – *Downward Adjustments of Prior-Year Unpaid Undelivered Orders Obligations, Recoveries*, we noted a total of ten sample items not de-obligated in a timely manner, resulting in downward adjustments in FY 2009 rather than a prior fiscal year.

Department of Homeland Security  
*Financial Management Comments*  
 September 30, 2009

---

*Recommendation:*

We recommend FLETC develop a formal review process in which undelivered order balances are reviewed for accuracy and validity at least semiannually and ensure that the review is adequately documented. As part of this formal review, include the performance end date field in Momentum to better identify those contracts, which are approaching the end of their period of performance and/or have passed the end of the period of performance.

**FLETC – FMC 09-10 – Budgetary Controls over Upward/Downward Adjustments – Untimely Deobligations (NFR No. FLETC 09-34)**

We identified control deficiencies in environmental liabilities, imputed costs, financial reporting, allowance for doubtful accounts, and leasehold improvements processes as follows:

Environmental Liabilities:

- FLETC does not have adequate policies and procedures, whereby the Environmental Valuation Specialist (EVS) identifies, assesses, estimates, and reports to the Finance Division regarding the existence and estimate of environmental liabilities throughout the year.
- FLETC does not have adequate financial management, supervisory, and monitoring controls in place to effectively manage the annual process of estimating the environmental liability, and performing the appropriate level of review of EVS' work.
- We identified mathematical errors in reports provided by the EVS resulting in a change in the September 30, 2009 estimate.

Imputed Costs:

- FLETC used the incorrect number of instructors for one entity, overstating the number of instructors by 12, when calculating inter-entity imputed costs related to instructors.
- FLETC used the incorrect payroll expense amounts, overstating payroll expenses by approximately \$38 million and the related imputed costs by \$5.1 million.

Financial Reporting:

- We identified a \$5.6 million difference between unexpended appropriations and cumulative results of operations (CRO). We noted that FLETC erroneously posted transactions related to reimbursable funds to SGL account 3100 rather than 3310.
- We identified several errors during the preparation of the AFR.

Allowance for Doubtful Accounts:

- FLETC erroneously applied allowance for doubtful accounts to the “with the public” and not to the “other federal entities” balance. This resulted in a negative public receivable balance. FLETC does not consider actual historical data and other risk factors that may impact its ability to collect when calculating allowance.

Leasehold Improvements:

- It was identified that adequate processes to account for leasehold improvements did not exist at the Charleston, South Carolina facility. We note that the Finance Division was unaware of the existence of the lease agreements.

*Recommendations:*

We recommend FLETC:

- Develop and implement adequate policies and procedures over their environmental liabilities process to ensure that the EVS reviews the environmental disposal liability detail on a routine



Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

basis, at least quarterly. Implement necessary financial management, supervisory, and monitoring controls to effectively manage the annual process of estimating the liability and performing the appropriate level of review of EVS' work.

- Implement policies and procedures to ensure that a timely and thorough review of all financial reporting documentation is performed prior to completion, including imputed costs.
- Develop a systematic methodology for calculating the allowance for uncollectible amounts which considers historical data, estimates losses on an individual account and group basis, and considers other risk factors that may have an impact the agency's ability to collect.

**FLETC – FMC 09-11 – Capital Leases (NFR No. FLETC 09-35)**

Management did not include the Fair Market Value (FMV) of furnishings provided by the lessor in their capital lease analysis; therefore, we performed an analysis to bifurcate the lease for the inclusion of the furniture. Applying the discount factor associated with the building lease, we calculated the NPV of the minimum lease payments of \$16,893 over 240 periods to verify that the portion associated with the furniture would be deemed a capital lease. The total lease obligation would be \$6.6 million (\$2.2 million at three buildings).

Additionally, the discount rate (i.e., FLETC's incremental borrowing rate) should be the interpolated average of the nominal Treasury interest rates for 10-year and 30-year Treasury bills for calendar year 2001 (building #1) and 2002 (building #2 and #3). We noted above the interest rate for building #1 should be 5.35 percent and the rate for building #2 and #3 would be 5.45 percent.

*Recommendations:*

We recommend FLETC:

- Improve the process to document the evaluation of the criteria determining whether leases should be classified as capital or operating leases and require a supervisor to agree the evaluations to the supporting documentation and to approve the evaluations.
- Ensure that all aspects of the lease arrangement have been taken into consideration.
- Provide additional guidance and training to personnel on the process of identifying whether leases should be classified as capital or operating leases and on preparing the future minimum lease payment schedule consistent with known technical literature.

#### **IV. UNITED STATES CITIZENSHIP AND IMMIGRATION SERVICES (USCIS)**

##### **USCIS – FMC 09-01 – Untimely Update of Adjudication Status within CLAIMS 3 and CLAIMS 4 (NFR No. USCIS 09-04)**

We obtained a listing of the Computer Linked Application Information Management System (CLAIMS) 3, CLAIMS 4, and Marriage Fraud Amendment System (MFAS) applications that were listed in the system as being completed between October 1, 2008 and May 31, 2009. We selected 45 applications in each category and noted that the adjudication status of applications is not always updated in CLAIMS 3 and CLAIMS 4 in a timely manner (i.e., within three business days).

*Recommendation:*

We recommend that USCIS place increased emphasis on operating effectiveness of preventative internal control procedures, which act to ensure the timely update of application status in CLAIMS 3, CLAIMS 4, and MFAS is achieved.

##### **USCIS – FMC 09-02 – Applications Included in Deferred Revenue at Incorrect Fee Amounts (NFR No. USCIS 09-05)**

We obtained a listing of deferred revenue applications as of May 25, 2009 from USCIS. We statistically selected applications on the deferred revenue listing (stratified by category and USCIS-determined risk profile). While performing the test to verify the accuracy of application fees, we noted 13 instances (all were I-751 application type, tracked in MFAS) where the \$80 biometric fee was incorrectly included in the amount to record deferred revenue.

*Recommendation:*

We recommend that USCIS Management review the process for recording I-751 fee data in MFAS and for querying MFAS to identify pending applications to determine the cause of the error and correct the reporting of fees for pending I-751 applications.

##### **USCIS – FMC 09-03 – Obligations are not Being Recorded in FFMS in a Timely Manner (NFR No. USCIS 09-06)**

During our testwork over obligations as of September 30, 2009, we noted 13 out of 211 obligations were not recorded timely in the Federal Financial Management System (FFMS) after the Contracting Officer's award.

*Recommendations:*

We recommend that the Financial Management Division reiterate the need for timely allocation of funds in FFMS (per the existing policies and procedures), enter obligations into FFMS prior to services or goods being provided, send obligating documents to the obligations team as soon as they are signed by the vendor, and develop an interface between FFMS to ensure that obligations are entered into FFMS timely.

**USCIS – FMC 09-04 – Discrepancies with the Leave Balances Between the NFC Records and STAR Web Reports are not Being Researched and Resolved Timely (NFR No. USCIS 09-07)**

During our internal control testing over human resource functions, we selected a sample of 45 employees receiving payroll checks in pay periods from October 1, 2008–May 31, 2009. For each employee/ pay period selected, we requested the System Time and Attendance (T&A) Reporting System (STAR) of ‘STAR WEB’ Report, timesheet, and relevant documentation supporting the timesheet (including requests for overtime/ leave, etc.) and noted the following:

- Five instances of the annual leave hours reported by the National Finance Center (NFC) did not agree to the annual leave hours recorded in STAR WEB.
- One instance of the sick leave hours reported by NFC did not agree to the sick leave hours recorded in STAR WEB.

*Recommendations:*

We recommend:

- The timekeepers adhere to existing policies and procedures by performing leave audits when discrepancies are reported by NFC and research and resolve the differences in a timely manner.
- The Office of Human Capital and Training, Human Resources Division reiterate to all timekeepers the existence of the procedures outlined in the *Leave Audit Procedures* and re-emphasize the importance of properly adhering to policies and procedures. Develop and implement controls to monitor the execution of its policies and procedures, particularly related to leave audits, to ensure that they are being carried out appropriately.
- The Financial Management Division contact timekeeper coordinators and the Human Resources Division to provide assistance in conducting timely leave audits.

**USCIS – FMC 09-05 – Inadequate Internal Controls over the Reporting of Fixed Assets (NFR No. USCIS 09-12)**

During the March 31, 2009 interim testing period, we selected a sample of capital equipment and leasehold improvements and noted the following:

- Lack of documentation (invoices, receiving reports, purchase orders, etc.) supporting the purchase of capitalized equipment.
- Inaccurate recording of capitalized equipment. Specifically, there was evidence of equipment that was recorded in the Sunflower Asset Management System without accurately capturing the appropriate equipment costs, including start-up, rigging, delivery, shipping, and installation costs.
- Inaccurate reporting of leasehold improvements amounts. In certain identified instances, the leasehold improvements were recorded based on the dollar amount obligated for the project instead of the actual costs incurred.

*Recommendations:*

We recommend that the USCIS Financial Management Division (FMD):

- Implement/execute a process to review equipment considered for capitalization to ensure that the criteria in Statement of Federal Financial Accounting Standards (SFFAS) No.6 are followed. We note that management has implemented this recommendation during quarter 4

Department of Homeland Security  
*Financial Management Comments*  
 September 30, 2009

---

(Q4) 2009. As a result of management's implementation of SFFAS6, adjusting journal entries have been recorded to the equipment balance.

- Implement/execute a process to review leasehold improvements. We noted that USCIS has implemented this recommendation during Q4 2009. Management implemented SFFAS 35, and leasehold improvements are now supported by the General Services Administration Assigned Space Action Summary Sheet, which details the estimated charges for tenant improvements, cabling, and security. As a result, adjusting journal entries have been recorded to the leasehold improvements balance.
- Apply SFFAS 35 for capitalized equipment not supported by invoices. We noted that USCIS has implemented this recommendation during Q4 2009. Management developed a memorandum on the accounting methodology used in estimating equipment that applied the guidance in SFFAS 6 and SFFAS 35.

**USCIS – FMC 09-06 – Deficiencies in the Deferred Revenue Quality Assurance Process and the Internal Control Environment (NFR No. USCIS 09-13)**

While conducting testing over applications, we replicated management's floor-to-list testing for the third quarter of FY 2009. We tested a statistically derived subsample of management's list to floor testing for the third quarter of FY 2009 and noted the following:

- Error rates indicative of a deficiency in internal control in the application adjudication process are identified through the USCIS Quality Assurance (QA) process and exist on USCIS' largest application tracking systems: CLAIMS 3 and CLAIMS 4.
- The deferred revenue QA process identifies discrepancies in the status of applications where errors between the system data and the hard copy application exist, yet a concerted effort to correct the faulty data within the systems does not take place.
- USCIS continues to utilize multiple, nonintegrated systems for processing immigration and naturalization applications.

*Recommendations:*

We recommend that the USCIS FMD in conjunction with the Quality Management Branch:

- Improve controls over the CLAIMS 3 Local Area Network (LAN)-to-CIS Centralized Oracle Repository System (CORS) interface to help insure the validity and completeness of the 'pending' population of immigration applications included in CISCOR data.
- Correct the errors in application status when identified through the deferred revenue QA process.
- Track all pending applications within one system or in a series of systems that are integrated.
- Evaluate the overall data quality within the various systems to plan for pre-conversion validation of data.

**USCIS – FMC 09-07 – Inadequate and/or Inconsistent Supervisor Review of Payroll Transactions (NFR No. USCIS 09-14)**

During our internal control testing over human resources functions, we selected a random sample of 45 employees receiving payroll checks in pay periods from October 1, 2008–May 31, 2009. For each employee/pay period selected, we requested the STAR Report, timesheet, and relevant documentation supporting the timesheet (including requests for overtime/leave, etc.) and noted the following:

Department of Homeland Security  
*Financial Management Comments*  
 September 30, 2009

---

- Five instances in which overtime hours were recorded on the timesheet, however no overtime authorization forms were evident.
- One instance in which a timesheet was submitted, however no supervisor approval was evident.
- One instance of a significant delay in supervisor approval. The employee timesheet was for pay period 23-2008 (the period ending November 24, 2008); however, the supervisor approval was made on June 30, 2009. This supervisor approval appears to coincide with the time we made the request for this item.

*Recommendation:*

We recommend that the timekeepers and supervisors validate the data reported in the T&A system by ensuring that the hours reported by the employee are accurate. We note that the FY2010 deployment of the Web Time and Attendance system as an electronic means of monitoring this process may serve to enhance the internal control environment.

**USCIS – FMC 09-08 – USCIS is Improperly Including EOIR/‘Relief from Deportation’ Applications in the Deferred Revenue Query Results (NFR No. USCIS 09-17)**

During our site visit to the USCIS Texas Service Center (TSC), we observed that the I-485 records for the Executive Office of Immigration Review (EOIR) ‘relief from deportation’ applications were incorrectly included as part of the universe of pending cases used to calculate deferred revenue. 13 of the 44 we sample selections at the TSC met this condition, of which all 13 sample selection photocopies had been destroyed by the TSC prior to our arrival.

*Recommendations:*

We recommend that the USCIS FMD:

- Quantify the pervasiveness of the practice of creating Form I-485s for EOIR requests at the TSC.
- Adjust the deferred revenue balance to properly exclude Form I-485s created for EOIR requests.
- Implement a protocol for future applications that warrant EOIR review that does not create Form I-485 applications in the system so that this overstatement of deferred revenue does not occur.

**USCIS – FMC 09-09 – Compliance with OMB Guidance for TSP Deduction Forms (NFR No. USCIS 09-18)**

During testing of internal controls over human capital functions we randomly selected a sample of 45 employees receiving payroll checks in pay periods from October 1, 2008–May 31, 2009. For each employee/pay period selected, we obtained the Thrift Savings Plan election form (TSP-1) and documented the contribution elected by the employee. We compared the contribution election with the PQ-56 screen in the National Finance Center (NFC) database and noted the following:

- One employee signed a TSP-1 form requesting a ten percent deduction; however, only a nine percent deduction was entered into the system. The nine percent has been paid to the employee since January 2, 2000 and continued through FY 2009. There was no evidence in the personnel folder that the employee made an election of nine percent.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

- One employee made a deduction election of 15 percent in 2004 via the on-line portal. The election was made prior to the electronic personnel files. There was no evidence in the personnel folder that the employee made an election of 15 percent.

*Recommendation:*

We recommend that USCIS adequately review manually entered TSP forms to ensure data accuracy and adhere to the requirements of the Code of Federal Regulations, Title 5, Parts 293.103 and 293.306.

**USCIS – FMC 09-10– Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner (NFR No. USCIS 09-19)**

During our substantive testing over USCIS accounts payable transactions for the period ended September 30, 2009, we noted 50 of 287 accounts payable sample items were not recorded timely in FFMS.

*Recommendation:*

We recommend that USCIS implement effective financial reporting policies and procedures requiring A/P to be entered into FFMS in a timely manner based on the receipt of goods and/or services by the agency.

**USCIS – FMC 09-11 – Inadequate and/or Inconsistent Supervisor Review of Personnel Actions (NFR No. USCIS 09-20)**

During our internal controls testing over human resources functions, we randomly selected a sample of 45 employees and obtained the respective SF-52 and SF-50 forms. While testing the authorization of the personnel action forms, we noted the following:

- 27 instances where a funding official did not approve the SF-52 form. There was no sign-off on the SF-52 by the authorizing official to evidence that a USCIS employee properly reviewed the SF-52 and determined if sufficient funding was available for the position.
- Two instances where the SF-52 form was routed to Payroll without final approval from the Human Resources (HR) Specialist. There was no approval on the SF-52 by the appropriate HR Specialist authorizing Payroll to commence the hiring process. Per USCIS Policy, the SF-52 form should be electronically signed by the HR Assistant (processor) and subsequently signed by the HR Specialist (reviewer) for final approval. In these instances, the HR Assistant provided the final approval instead of the HR Specialist, thereby violating proper segregation of duties.
- Six instances where the SF-52 was not coded properly.

*Recommendations:*

We recommend that the USCIS Human Resources Department:

- Consider implementing a management review process to include evidence of signed authorization from authorizing and funding officials on each SF-52.
- Ensure that there is adequate staff to implement a management review process inclusive of funding approval.
- Adhere to the current SOPs for the processing of SF-52s.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

- Consider including policies and procedures in the updated SOPs for obtaining the necessary Official Personnel File/electronic Official Personnel File documentation from a new employee's previous agency in a timely manner.

**USCIS – FMC 09-12 – Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance (NFR No. USCIS 09-21)**

During our substantive testing over USCIS aged undelivered orders (UDO) balances as of April 30, 2009, we noted three out of 11 UDO samples, totalling \$4.4 million, had no activity within the previous 12 months and should have been de-obligated as of April 30, 2009.

*Recommendation:*

We recommend USCIS ensure personnel are adequately following the validation and verification (V&V) review process, including procedures to ensure invalid UDOs are de-obligated in a timely manner and timely contract closeout.

**USCIS – FMC 09-13 – Insufficient Support for the Determination of Parking Withholdings (NFR No. USCIS 09-22)**

During the FY2009, we performed testing over sensitive payments/executive prerequisites following the guidance of the General Accounting Office (GAO) Financial Audit Manual, Section 280.05. The scope of our analysis covered the executive prerequisites made to the Senior Executive Service (SES) employees of USCIS for the year ended September 30, 2009, specifically parking privileges. We made inquiries of USCIS management, including officials in the Office of the General Counsel and the Office of Administration. As a result of our inquiries, we identified the following conditions:

- The policy and procedures for controlled parking are only applicable to the headquarters parking facilities. There appears to be no policy regarding the consideration of parking privileges at the other USCIS field locations.
- The Office of Administration prepared documentation supporting the FY2009 annual parking costs at six USCIS buildings within the Washington, DC metropolitan area. Based on the delinquency in returning the provided by client request for this documentation, we note this analysis appears to have been prepared only after being requested by us.
- Lack of consideration and documentation of which (if any) employee parking provided by USCIS as a fringe benefit is within Internal Revenue Service (IRS) statutory limitations. For example, based on the analysis provided by the Office of Administration, two office locations appear to have parking costs in excess of the \$230 per month IRS limit. However, documentation of USCIS' determination for failing to notify the employee of the amount that is taxable was not available.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

*Recommendations:*

We recommend that USCIS:

- Analyze the lease agreements and occupancy agreements for all USCIS facilities/locations to determine which USCIS offices have parking privileges provided as a fringe benefit that could potentially be taxable to those receiving the benefit.
- Determine which offices have parking that is in excess of the IRS thresholds, and where necessary, notify the affected employees.

**USCIS – FMC 09-14 – Disbursements are Being Charged to an Improper Sub-object Class**  
*(NFR No. USCIS 09-23)*

During our FY2009 testwork over USCIS disbursements, we noted that three out of 210 sample items were posted against erroneous sub-object class (SOC) codes in FFMS. Although sample item for Sayres and Associates was voided during FY2009, the sample item was nevertheless posted against an improper SOC.

*Recommendation:*

We recommend that USCIS implement effective internal controls to ensure personnel assign the proper SOC codes to obligations and record the proper SOC codes in FFMS.



## V. IMMIGRATION AND CUSTOMS ENFORCEMENT (ICE)

### **ICE – FMC 09-01 – Untimely Execution of Reimbursable Agreements/Security Work Authorizations with Other Governmental Entities When ICE is Performing the Services (NFR No. ICE 09-01)**

For the period October 1, 2009 through May 31, 2009, ICE entered into 1,513 Security Work Authorizations (SWAs). We selected a statistical sample of 61 SWAs. Based on our interim testwork, we noted that five of 61 sample items of the SWAs were signed in an untimely manner (i.e., more than five days).

*Recommendation:*

We recommend that all Federal Protective Services (FPS) regions adhere to the established policies and procedures to ensure each SWA is signed within five business days of the requesting agency.

### **ICE – FMC 09-02 – Obligations are not being recorded in FFMS in a timely manner (NFR No. ICE 09-04)**

During our substantive testing over 424 obligations made in FY 2009, we noted 12 FPS and non-FPS related obligations that were not recorded timely in FFMS. Specifically, there were 11 instances where the obligation was not recorded timely in FFMS after being awarded by the Contracting Officer; and one instance where the obligation was entered into FFMS prior to approval by an approving official.

*Recommendations:*

We recommend that ICE reiterate the need for program offices and the Office of Acquisition Management to adhere to the existing policies and procedures, including the need for OCM to start providing IAAs and/or contract documents to the obligations team in a timely manner, to ensure that obligations are entered into FFMS timely.

Furthermore, obligations should not be recorded into FFMS before properly authorized supporting documentation.

### **ICE – FMC 09-03 – Discrepancies with the Leave Balances Between the NFC Records and webTA Reports are not Being Researched and Resolved Timely (NFR No. ICE 09-06)**

We noted that for four out of 45 sample items, the annual leave and sick leave hours reported by National Finance Center (NFC) did not agree to the annual and sick leave hours recorded in the WebTA database. For those differences identified, we requested evidence (i.e., leave audits) of measures taken to correct the balance. The timing of the requests would have provided adequate time for the outstanding errors to be corrected; a minimum of five pay periods. However, as these errors remained outstanding well over five pay periods subsequent to being identified, differences in the leave balances between the NFC records and WebTA reports are not being researched and resolved timely.

Department of Homeland Security  
*Financial Management Comments*  
 September 30, 2009

---

*Recommendations:*

We recommend that the timekeepers:

- Adhere to existing policy and procedures by performing leave audits when discrepancies are reported by NFC and researching and resolving the differences in a timely manner.

We recommend that the Office of Human Resources:

- Reiterate to all timekeepers the existence of the procedures outlined in the *ICE Summary of Leave Audit Procedures* and re-emphasize the importance of adhering to policies and procedures
- Develop and implement controls to monitor the execution of its policies and procedures, particularly related to leave audits, to ensure that they are being adhered.

**ICE – FMC 09-04 – Lack of Procedures to Verify the Receipt and Acceptance of Goods or Services for IPAC Transactions/Lack of Information on IPAC Document (NFR No. ICE 09-07)**

Procedures to verify the receipt and acceptance of goods or services for disbursements processed through the Intra-Governmental Payment and Collection (IPAC) system do not exist for all components serviced by Burlington Finance Center (BFC) and Dallas Finance Center (DFC).

Additionally, during testwork over disbursement transaction in FY 2009, it was noted that many IPAC documents (across all components) did not contain adequate background information to determine if the related disbursement was completely and accurately posted against the appropriate obligation. Specifically, the IPAC documents were not consistently disclosing relevant general ledger posting information such as: 1) the obligation number, 2) the billing period of service, and 3) the purpose/description of the services.

This condition is applicable not only to ICE transactions, but also transactions of bureaus for which ICE provides accounting services: S&T, NPPD, and Management Directorate (MGT).

*Recommendations:*

We recommend that:

- The DFC adheres to its existing SOPs for IPAC transactions.
- ICE OFM examines current policies and procedures and enhances them to include timely ‘post’ validation when disbursements are processed through the IPAC system. The procedures should clearly delineate the responsibilities of the BFC, DFC, and ICE’s program offices.
- ICE OFM develops and implements controls to monitor the execution of policies and procedures related to IPAC transactions, to ensure that they are being followed.
- ICE OFM develops standards, in addition to the basic data field requirements for IPAC documents, that requires customer agencies to include pertinent transaction information (e.g., obligation number, service period, point(s) of contact, and description of services) necessary for timely, accurate posting of disbursements against obligations and proper transaction validation.

Department of Homeland Security  
*Financial Management Comments*  
 September 30, 2009

---

**ICE – FMC 09-05 – Inadequacy/Ineffectiveness of Internal Controls over the Preparation and Review of the Pending/Threatened Litigation Against ICE (NFR No. ICE 09-18)**

Through our testwork comparing the June 30, 2009 interim legal management schedule to the September 30, 2009 schedule, ICE's Office of General Counsel (OGC) informed us that six of the 22 new cases reported as of year end were inadvertently omitted from the June 30, 2009 interim legal management schedule (ICE-09-84, ICE-09-85 ICE-09-86, ICE-09-89, ICE-09-90 and ICE-09-105).

*Recommendations:*

We recommend that the ICE OFM, in conjunction with the OGC:

- Conduct a comprehensive review of the processes to prepare, record, and disclose the legal liability balance for inclusion in the DHS consolidated financial statements.
- Make appropriate changes to systems and processes/sub-processes methodologies, to include the design and implementation of internal controls, to mitigate the risks/conditions identified.
- Test the controls to determine that they are designed properly and operating effectively.

**ICE – FMC 09-06 – Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner (NFR No. ICE 09-20)**

During our substantive testing over 54 ICE accounts payable transactions for the period ended April 30, 2009, we noted one accounts payable transaction that was not recorded timely in Federal Financial Management System (FFMS).

*Recommendation:*

We recommend that ICE work with applicable parties, including the BFG, to adhere to existing policies and procedures to ensure that all accounts payable transactions are entered into FFMS timely, based on the receipt of invoices for goods and/or services by the agency.

**ICE – FMC 09-07 – Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the Undelivered Orders Balance (NFR No. ICE 09-21)**

During our substantive testing over 20 ICE aged UDO balances as of April 30, 2009, we noted the following:

- 12 of 20 UDO samples totalling \$24.4 million, with no activity within the previous twelve months, should have been de-obligated as of April 30, 2009.
- Three of 20 UDO samples totaling \$0.9 million, with closed contracts, had abnormal debit ending balances as of April 30, 2009.

*Recommendations:*

We recommend the following for ICE:

- Ensure field personnel are adequately following the Validation and Verification review process, including procedures to ensure invalid UDOs are de-obligated in a timely manner.
- Monitor and enforce the policies and procedures in place to timely review and correct abnormal UDO balances recorded in FFMS.

Department of Homeland Security  
*Financial Management Comments*  
 September 30, 2009

---

**ICE – FMC 09-08 – Inadequate and/or Inconsistent Supervisory Review of Personnel Actions**  
*(NFR No. ICE 09-22)*

During our new hire testwork of over 27 payroll transactions tested at the Laguna Service Center, we noted the following:

- One instance where the SF-52 was coded with the incorrect Service Computation Date (SCD).
- One instance where the Laguna Service Center failed to update a SCD timely after the correction of a SF-52.

*Recommendation:*

We recommend that the Laguna Service Center:

- Develop, document, and implement Standard SOPs for the processing of personnel actions at the Laguna Service Center.

**ICE – FMC 09-09 – Untimely Resolution of Differences Identified on the Statement of Differences**  
*(NFR No. ICE 09-23)*

While performing the interim testwork over the monthly Statement of Difference (SOD) reconciliations, we noted that ICE and MGT had differences that were older than 60 days (2 months) in their April reconciliations.

*Recommendation:*

We recommend that DFC establish and implement policies and procedures to ensure each difference identified on the SOD is properly researched and resolved within two months (60 days) as required by U.S. Department of Treasury guidance.

**ICE – FMC 09-10 – Noncompliance with Human Resources Laws and Regulations**  
*(NFR No. ICE 09-24)*

During the compliance testwork, we noted instances where the Federal Employees' Group Life Insurance (FEGLI) elections for the 19 sample items tested at the Dallas Service Center (DSC) were not supported by a Standard Form (SF)-2817 - *Life Insurance Election, FEGLI Program*. Specifically, the following cases were noted:

- For one employee tested, the DSC was unable to provide an updated employee election form or evidence that the employee changed their elections electronically.
- For one employee tested, the DSC was unable to provide the FEGLI election form for the employee selected.

*Recommendations:*

We recommend that the DSC adhere to the following policies and regulations:

- Federal compliance regulation, specifically, the FEGLI.
- Federal regulations regarding proper government records management.

We also recommend that the DSC provide the following:

- Proper supervision and review over payroll transactions.
- Adequate training to DSC Human Resource personnel to ensure the correct processing of payroll transactions and records management.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**ICE – FMC 09-11 – Processing of Improperly Authorized Reclassification Requests**  
(NFR No. ICE 09-26)

During our payroll testwork over the period October 1, 2008 through May 31, 2009, we noted one exception on the May 12, 2009 processing date. The Science and Technology reclassification request (JV # 0001) did not have any evidence of review by a separate authorized approver, ensuring appropriate segregation of duties.

*Recommendation:*

We recommend that the Payroll and Accountability Reporting office adhere to existing policies and procedures related to the processing of reclassification requests.

**ICE – FMC 09-12 – Certain DRO Disbursements should have been allocated to other funding sources** (NFR No. ICE 09-27)

During our FY 2009 testwork over obligations and disbursements, we identified that certain costs and related disbursements pertaining to DRO activities were not allocated to the proper funding sources. Specifically, we noted:

- Nine out of 20 disbursement sample items did not have obligations recorded in FFMS before the period of service began per the invoice
- One out of six reclassifications from Custody Operations Program to the Transportation and Removal Program was done in error,
- Reclassified sample items did not have evidence of proper approvals by any authorizing management personnel.

*Recommendations:*

We recommend that ICE management continue to implement and follow the remediation activities they have outlined for FY2009 and FY2010 to ensure they retain enough funding for incurred costs. Specifically, management should continue with the following:

- Develop templates and a process for an integrated DRO-wide spend plan monitoring process beginning in FY2010, including the field office specific spend plans that Field Offices (FODs) can use to track spending.
- Develop and implement standardized key commitment/obligation structure to support the efficient and effective management of costs at a detailed level for FY2010.

Furthermore, ICE management should implement policies and procedures requiring properly documented approvals by authorizing personnel (s) for all future program fund reclassifications.

**ICE – FMC 09-13 – IPAC payments were made prior to an obligation being set up in FFMS**  
(NFR No. ICE 09-32)

During our fiscal year 2009 internal control and substantive testwork, we determined that three out of 65 IPAC disbursements tested lacked obligating documents to support the transactions, and the disbursements were made prior to an obligation being set up in FFMS.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

*Recommendations:*

We recommend that:

- The BFC adhere to its existing Standard Operating Procedures for IPAC transactions.
- ICE OFM reiterate the need for program offices and the Office of Acquisition Management to adhere to the existing policies and procedures, including the need for OAQ to start providing IAAs and/or contract documents to the obligations team in a timely manner, to ensure that obligations are entered into FFMS timely.
- ICE OFM develop and implement controls to monitor the execution of policies and procedures related to IPAC transactions, to ensure that they are being followed.

**ICE – FMC 09-14 – Lack of Supporting Documentation for the Distribution of the SF-132/SF-133 Reconciliation to the Budget Offices (NFR No. ICE 09-35)**

We performed testwork over the third quarter SF-132, *Apportionment and Reapportionment Schedule* to the SF-133, *Report on Budget Execution and Budgetary Resources* Reconciliation for ICE and the DHS Components. During our testwork, we noted that ICE OFM was unable to provide support indicating that they provided the reconciliation to the MGT (OPSP) and USVIST (BTSP) budget offices for research and resolution.

*Recommendation:*

We recommend that the ICE OFM adhere to the existing procedures by distributing the reconciliation of the SF-132 to the SF-133 to the budget offices on a quarterly basis.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

## VI. MANAGEMENT DIRECTORATE (MGT)

### **MGT – FMC 09-01 – Obligations are not Being Recorded into FFMS in a Timely Manner** *(NFR No. MGT 09-01)*

During our substantive testwork of over 101 obligations made in FY 2009, we noted 19 obligations were not recorded timely in the Federal Financial Management System (FFMS). Specifically, we identified:

- 13 instances where the obligation was not recorded timely in FFMS after being awarded by the Contracting Officer
- Six instances where the obligation appeared to be entered into FFMS prior to approval by an approving official.

*Recommendation:*

Until the interface between FFMS and PRISM is implemented, we recommend that the MGT Finance Branch perform the following:

- Reinforce controls at the OCFO to ensure that obligations are being recorded in FFMS in a timely manner upon receipt of an executed obligating document.
- Develop and implement controls to monitor the execution of its policies and procedures, particularly related to the timely recording of obligations within FFMS, to ensure that they are being followed.
- On a more frequent basis, reconcile all obligations created in PRISM to the general ledger (i.e., FFMS). Specifically, the reconciliation should consist of the identification of differences between obligations created in PRISM and those recorded within FFMS. As differences are identified, management should research the causes and take immediate corrective action.
- Improve communication with the DHS Office of Procurement Operations (DHS OPO) and servicing vendors to better facilitate response times by vendors in accepting awards and delivery time by DHS OPO in approving awards.

### **MGT – FMC 09-02 – Inadequate Internal Controls over PP&E** *(NFR No. MGT 09-02)*

MGT does not have adequate processes and controls in place to account for CIP, leasehold improvements and internal-use software in a timely manner. Currently, MGT is in the process of analyzing the existence and accuracy of its equipment (personal property) balance at September 30, 2009, which is immaterial to the financial statements taken as a whole but should still be analyzed by management.

*Recommendation:*

- Design, implement, and document additional policies, procedures, and internal controls that will help ensure PP&E recorded in the subledgers exists, is complete and accurate, and is properly valued.
- Provide cross-training to the property management program and accounting personnel, including Sunflower Asset Management System, FFMS, and PRISM training.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**MGT – FMC 09-03 – Items in the Suspense Account are not Being Researched and Resolved in a Timely Manner as Defined by Treasury (NFR No. MGT 09-04)**

As of April 30, 2009, MGT had a total of 51 items in the suspense account ranging in age from 1 day old to 135 days old. Of the 51 items in suspense, 12 were aged over 60 days. As stated in *Treasury Financial Manual Bulletin 2007-07* issued by Treasury Financial Management Services (FMS), effective February 28, 2009, items in the suspense accounts must have balances no more than 60 days old for agencies with approved waivers.

*Recommendation:*

We recommend that MGT establish and follow policies and procedures that will help to ensure that the items in the suspense account are researched and properly reclassified within 60 days, which will ensure that they are in compliance with Treasury's Bulletin 2007-07.

**MGT – FMC 09-04 – Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance (NFR No. MGT 09-05)**

During our substantive testing of over 14 MGT aged UDO balances as of April 30, 2009, we noted the following:

- Four of 14 UDO samples totalling \$7.7 million, with no activity within the previous 12 months, should have been de-obligated as of April 30, 2009.
- Three of 14 UDO samples totaling \$4.2 million, with closed contracts, had abnormal debit ending balances as of April 30, 2009.

*Recommendations:*

We recommend the following for MGT:

- Ensure field personnel are adequately following the validation and verification (V&V) review process, including procedures to ensure invalid undelivered orders are de-obligated in a timely manner.
- Develop and implement effective policies and procedures to include the review of abnormal undelivered order balances recorded in FFMS to ensure that undelivered order balances are accurately reported.

**MGT – FMC 09-05 – Disbursements are Being Charged to an Improper Sub-Object Class (SOC) (NFR No. MGT 09-06)**

During our FY2009 testwork over MGT disbursements, we noted seven out of 65 sample items were posted against erroneous SOC codes in FFMS.

*Recommendations:*

We recommend that MGT perform the following:

- Continue to instruct the MGT employees responsible for assigning SOC codes on the criteria for selecting the proper SOC code.
- Reinforce controls over the MGT employees responsible for recording obligations to ensure that obligations are assigned the proper SOC codes in FFMS.



Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**MGT – FMC 09-06 – Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner (NFR No. MGT 09-07)**

During our substantive testing over MGT accounts payable transactions for the period ended September 30, 2009, we noted that the following exceptions were not recorded timely in FFMS:

- 15 out of 60 accounts payable transactions for the testing period ended July 31, 2009.
- Five out of 37 accounts payable transactions for the testing period ended September 30, 2009.

*Recommendation:*

We recommend that MGT work with applicable parties, including the BFC to adhere to existing policies and procedures to ensure that accounts payable transactions are entered into FFMS, timely based on the receipt of invoices for goods and/or services by the agency.

## VII. NATIONAL PROTECTION AND PROGRAMS DIRECTORATE (NPPD)

### **NPPD – FMC 09-01 – Obligations are not Being Recorded into FFMS in a Timely Manner** *(NFR No. NPPD 09-02)*

During our substantive testwork over 94 obligations made in FY 2009, we noted 20 obligations were not recorded timely in Federal Financial Management System (FFMS). Specifically, we identified:

- 18 instances where the obligation was not recorded timely in FFMS after being awarded by the Contracting Officer;
- Two instances where the obligation appeared to be entered into FFMS prior to approval by an approving official.

#### *Recommendations:*

Until the interface between FFMS and the Purchase Request Information System (PRISM) is implemented, we recommend that the NPPD Finance Branch perform the following:

- Reinforce controls at the OCFO to ensure that obligations are being recorded in FFMS in a timely manner upon receipt of an executed obligating document.
- Develop and implement controls to monitor the execution of its policies and procedures, particularly related to the timely recording of obligations within FFMS, to ensure that they are being followed.
- On a more frequent basis, reconcile all obligations created in PRISM to the general ledger (i.e., FFMS). Specifically, the reconciliation should consist of the identification of differences between obligations created in PRISM and those recorded within FFMS. As differences are identified, management should research the causes and take immediate corrective action.
- Improve communication with the DHS Office of Procurement Operations (DHS OPO) and servicing vendors to better facilitate response times by vendors in accepting awards and delivery time by DHS OPO in approving awards.

### **NPPD – FMC 09-02 – Items in the Suspense Account are not Being Researched and Resolved in a Timely Manner as Defined by Treasury** *(NFR No. NPPD 09-04)*

As of April 30, 2009, NPPD had a total of 176 items in the suspense account ranging in age from seven days old to 130 days old. Of the 176 items in suspense, 15 were aged over 60 days. As stated in *Treasury Financial Manual Bulletin 2007-07* issued by Treasury FMS, effective February 28, 2009, items in the suspense accounts must have balances no more than 60 days old for agencies with approved waivers.

#### *Recommendation:*

We recommend that NPPD establish and follow policies and procedures that will help to ensure that the items in the suspense account are researched and properly reclassified within 60 days, which will ensure that they are in compliance with Treasury's Bulletin 2007-07.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**NPPD – FMC 09-03 – Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance (NFR No. NPPD 09-05)**

During our substantive testing over 21 NPPD aged undelivered order balances as of April 30, 2009, we noted the following:

- 14 of 21 UDO samples totalling \$45.3 million, with no activity within the previous 12 months, should have been de-obligated as of April 30, 2009.
- Two of 21 UDO samples totaling \$34.9 million, with closed contracts, had abnormal debit ending balances as of April 30, 2009.

*Recommendations:*

We recommend the following for NPPD:

- Ensure field personnel are adequately following the Validation and Verification review process, including procedures to ensure invalid UDOs are de-obligated in a timely manner.
- Develop and implement effective policies and procedures to include the review of abnormal UDO balances recorded in FFMS to ensure that UDO balances are accurately reported.

**NPPD – FMC 09-04 – Senior Executive Service (SES) Failed to File Financial Disclosure Report Timely as Required by the Code of Conduct (NFR No. NPPD 09-06)**

During our entity level controls testwork over NPPD SES employees' compliance with the SF-278 disclosure requirements, we noted three out of five employees selected for testing have not filed a financial disclosure report as of June 30, 2009.

*Recommendation:*

We recommend that NPPD management ensure that SES employees required to file Financial Disclosure report annually adhere to the requirements set in the Ethics Code 5 *CFR* 2634.201 *Subpart B*.

**NPPD – FMC 09-05 – Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner (NFR No. NPPD 09-07)**

During our substantive testing over NPPD accounts payable transactions for the period ended September 30, 2009, we noted that the following exceptions were not recorded timely in FFMS:

- 16 out of 32 accounts payable transactions for the testing period ended 7/31/09.
- Seven out of 17 accounts payable transactions for the testing period ended 9/30/09.

*Recommendation:*

We recommend that NPPD work with applicable parties, including the Burlington Finance Center to adhere to existing policies and procedures to ensure that accounts payable transactions are entered into FFMS timely based on the receipt of invoices for goods and/or services by the agency.

## VIII. SCIENCE AND TECHNOLOGY DIRECTORATE (S&T)

### **S&T – FMC 09-01 – Obligations are not Recorded in FFMS in a Timely Manner** *(NFR No. S&T 09-01)*

During our substantive testwork over 97 obligations made in FY 2009, we noted 18 obligations that were not recorded timely in FFMS. Specifically, we identified:

- Ten instances where the obligation was not recorded timely in FFMS after being awarded by the Contracting Officer's;
- Eight instances where the obligation was entered into FFMS prior to approval by an approving official.

*Recommendations:*

Until the interface between FFMS and PRISM is implemented, we recommend that the Financial Operations Staff perform the following:

- Reinforce controls at the OCFO to ensure that obligations are being recorded in FFMS in a timely manner upon receipt of an executed obligating document.
- Continue monitoring the execution of its policies and procedures, particularly related to facilitating the receipt of obligating documents from DHS Office of Procurement Operations for timely recordation in FFMS.
- Furthermore, obligations should not be recorded into FFMS before properly authorized supporting documentation.

### **S&T – FMC 09-02 – Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance** *(NFR No. S&T 09-05)*

During our substantive testing over ten S&T aged undelivered order balances as of April 30, 2009, we noted that sample items selected totalling \$4.6 million with abnormal balances and no activity within the previous 12 months, should have been de-obligated as of 4/30/09.

*Recommendations:*

We recommend that S&T ensure field personnel are adequately following the validation and verification review process. Furthermore, S&T should work with their service provider, to ensure invalid UDOs are de-obligated in a timely manner.

### **S&T – FMC 09-03 – SES Employees Failed to File Financial Disclosure Report Timely as Required by the Code of Conduct** *(NFR No. S&T 09-06)*

During our entity level controls testwork over S&T SES employees' compliance with the SF-278, *Public Financial Disclosure Form*, disclosure requirements, we noted two out of five employees selected for testing did not file a financial disclosure report as of June 30, 2009.

*Recommendation:*

We recommend that S&T Management ensure that SES employees required to file a Financial Disclosure report annually adhere to the requirements set in the Ethics Code 5 *CFR 2634.201 Subpart B*.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**S&T – FMC 09-04 – Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner (NFR No. S&T 09-07)**

During our substantive testing over S&T accounts payable transactions for the period ended September 30, 2009, we noted that the following exceptions were not recorded timely in FFMS:

- 11 out of 59 accounts payable transactions for the testing period ended on July 31, 2009.
- Two out of 15 accounts payable transactions for the testing period ended on September 30, 2009.

*Recommendation:*

We recommend that S&T work with applicable parties, including Burlington Finance Center, to adhere to existing policies and procedures to ensure that accounts payable transactions are entered into FFMS timely, based on the receipt of invoices for goods and/or services by the agency.

## IX. TRANSPORTATION SECURITY ADMINISTRATION (TSA)

### TSA – FMC 09-01 – Undelivered Orders Documentation (*NFR No. TSA 09-05*)

TSA lacks sufficient internal controls to ensure contract management policies and procedures are being adhered to. Specifically, we noted the following instances where contract management policies and procedures failed:

- Two instances where the contract close-out process was not completed timely resulting in an invalid obligation at year end.
- Two instances in which travel occurred prior to the fourth quarter, and the period of performance had expired that resulted in incorrect reporting of the obligation at year end.
- Four instances in which the obligation amount was not correct per the system of record, resulting in the incorrect reporting of the obligation amount at year end.
- One instance in which the amount recorded in Core Accounting System was correct; however, the supporting obligating document showed a \$25,000 discrepancy.
- One instance in which we noted an overstatement in the UDOs balance as of year end.
- Two instances where assets purchased that were over the established capitalization threshold did not appear on the Sunflower Capitalized Asset list as of June 20, 2009.

*Recommendations:*

We recommend that TSA:

- Implement sufficient internal controls to ensure that contract management policies and procedures are being followed.
- Implement sufficient internal controls to ensure policies and procedures are followed to ensure that expenditures that relate to capitalizable activity are capitalized.

### TSA – FMC 09-02 – Required Supplementary Information (*NFR No. TSA 09-10*)

During our testwork, we noted TSA did not disclose the outcomes and outputs for the two Investments in Research and Development projects, specifically the Applied Research Projects and the Operation Safe Commerce project, as required by the OMB Circular A-136.

*Recommendation:*

We recommend that TSA develop and implement procedures to develop and track relevant outcomes and outputs and report them as part of RSSI.

### TSA – FMC 09-03 – Noncompliance with the Debt Collection Improvement Act (DCIA) of 1996 (*NFR No. TSA 09 -11*)

In FY 2009, TSA developed a MAP to create and implement policies and procedures to ensure compliance with DCIA. Although progress was made in the development of these policies and procedures, the procedures were not in place throughout the entire year. Specifically we noted:

- Seven instances in which TSA was not in compliance with DCIA in timely referring debt that was outstanding for more than 180 days
- For all sample items, demand letters were not sent timely

Department of Homeland Security  
*Financial Management Comments*  
 September 30, 2009

---

*Recommendation:*

We recommend that TSA fully implement its policies and procedures during the entire fiscal year to ensure demand letters are promptly sent to airlines, and that eligible, uncollected debt is sent timely to Treasury for debt collection action or the Department of Justice as applicable.

**TSA – FMC 09-04 – Compliance with Human Resources Related Laws (NFR No. TSA 09-16)**

TSA has not fully implemented processes and controls to ensure that payroll calculations are properly recorded and supported by available documentation and employees annual leave balances are properly recorded. In performing our compliance procedures over payroll transactions, we identified the following:

- One instance of a FEGLI calculation that did not agree with the FEGLI calculator provided on the OPM Web site.
- Three instances of unsupported additional amounts added to employees' pay for Fair Labor Standards Act.
- Three instances of discrepancies between employees' retirement plan deduction calculation and the supporting documentation.
- One discrepancy between the amount of overtime paid and our recalculation in the amount of \$58.13
- One instance where updated FEHB enrollments were not included in the electronic Official Personnel File (eOPF).
- 13 Thrift Savings Plan (TSP) discrepancies where the most recent TSP election form or substitute documentation was not included in the employees' eOPFs.
- One instance where an employee had a discrepancy between the leave balance listed per the Statement of Earnings and Leave and the Web Time and Attendance (webTA) timesheet.
- One instance of a discrepancy of annual leave hours accrued between the webTA and Statement of Earnings and Leave.

*Recommendations:*

We recommend that TSA:

- Implement policies and procedures to ensure that payroll calculations are properly recorded and supported by appropriate documentation.
- Implement timely reviews of annual leave balances to ensure employees annual leave are properly recorded.

**TSA – FMC 09-05 – Ineffectiveness of Controls over the Time and Attendance Process (NFR No TSA 09-18)**

TSA's time and attendance policies were not consistently followed throughout FY2009. Additionally, the Time and Attendance Administration Manual, *July 2009*, lacks sufficient review procedures to ensure timely review of employee time and attendance. Specifically, we noted 12 instances where TSA Time and Attendance (T&A) Reports were not properly reviewed.

*Recommendations:*

We recommend that TSA enhance its processes to ensure policies are consistently followed throughout the year and payroll controls are operating effectively. This should include:

- Procedures to ensure employees review and sign all time sheets.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

- Procedures to ensure approvers perform a detailed review of all time sheets and evidence reviews.
- Mandate that timekeepers mark time sheets for review if the employee signature is absent and regularly follow up on such items until they are resolved.

**TSA – FMC 09-06 – Review of Service Organizations’ Internal Controls (NFR No. TSA 09-25)**

During FY2009, TSA was unable to fully demonstrate the impact of its service providers’ control environment on TSA’s control environment. Specifically, Lockheed Martin’s control environment was not evaluated for the impact on TSA’s environment. Further, no period update, from the time of report issuance to balance sheet date was documented.

*Recommendation:*

We recommend that TSA develop policies and procedures to ensure that each service provider is reviewed, the impact to TSA’s financial statements is evaluated, and any gap period testing or representations are addressed.

**TSA – FMC 09-07 – Lease Accounting and Disclosure (NFR No. TSA 09-30)**

TSA lacks policies and procedures to ensure that leases are accounted for and disclosed properly in accordance with the standards.

During our testwork over TSA’s future minimum lease commitment, we determined for some selected leases, the note in the financial statements was not based on the future outflows as set forth in existing lease agreements, resulting in noncompliance with the applicable federal standards and the note not accurately representing the future lease commitment for TSA. In addition, we identified:

- TSA incorrectly included a canceled lease related to a building purchased by TSA in FY2009 in the future minimum lease commitment footnote and improperly excluded two leases in the commitments footnote.
- TSA does not recognize lease expense on a straight-line basis as required by Financial Accounting Standards Board (FASB) 13. TSA incorrectly based their straight-line analysis of lease expenses on total payments of the lease (fixed and variable costs) and estimated future payments instead of the contractually agreed to payments existing in the lease agreement.

*Recommendations:*

We recommend that TSA develop and implement policies and procedures to ensure that leases are accounted for and disclosed properly in accordance with the standards. Specifically,

- Present the future minimum lease commitment footnote based on future contractual outflows as set forth in existing agreements in accordance with the standards.
- Record lease expense on a straight-line basis in accordance with FASB 13 or perform an analysis on an annual basis to determine the impact is not material and therefore not necessary.



Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**TSA – FMC 09-08 – GAO Checklists Review (NFR No. TSA 09-32)**

The Government Accountability Office (GAO) checklist review was not designed properly to ensure the financial statements submitted to the Department and those presented for stand-alone purposes were complete and accurate. Specifically, it was noted that:

- Based on understanding from the Department, TSA’s responses to various questions was “Y” as the Department Statements have the balance, but TSA does not. This led to the submission of balances that were not applicable to TSA.

*Recommendation:*

We recommend that TSA implement detailed review procedures to ensure that the checklists are reviewed in conjunction with both sets of statements and that each attribute included in the checklists are properly addressed in the statements.

**TSA – FMC 09-09 – Fund Balance with Treasury Controls (NFR No. TSA 09-34)**

During our walk-through of the Fund Balance with Treasury process at TSA, we noted the following:

- A lack of a policy that requires a detailed review of the matching of IPAC transactions from the suspense account to the related obligations.
- A lack of system controls to prevent an individual from entering and approving the posting of a warrant, transfer, or rescission to the general ledger, without documented supervisor approval.

*Recommendations:*

We recommend TSA:

- Implement a policy to ensure a detailed review of the matching of IPAC transactions from the suspense account to the related obligation.
- Implement system controls to prevent an individual from entering and approving the posting of a warrant, transfer, or rescission to the general ledger, without supervisory review.

**TSA – FMC 09-10 – Lack/Ineffectiveness of Controls over the Accounts Receivable Process (NFR No. TSA 09-35)**

During our walk-through of the Accounts Receivable process at TSA, we noted the following:

- TSA does not have policies and procedures in place to ensure completeness of the bankruptcy portion of the allowance for doubtful accounts.
- TSA does not have policies and procedures documented to ensure a regular review of the allowance for doubtful accounts methodology.
- TSA’s air carrier audit procedures are not properly designed to provide timely review of air carrier payments. Specifically, we noted that a number of planned audits were not completed timely.

*Recommendations:*

We recommend that TSA:

- Implement controls to ensure completeness of the bankruptcy portion of the allowance for doubtful accounts.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

- Implement policies and procedures to ensure a regular review of the allowance for doubtful accounts methodology.
- Design the air carrier audit procedures to ensure that the audits are planned to gain sufficient coverage of the carriers and are executed on a timely basis.

**TSA – FMC 09-11 – Controls over Payroll Procedures (*NFR No. TSA 09-36*)**

TSA lacks certain documented policies and procedures to ensure that payroll controls exist, are designed effectively, and operating effectively. Specifically, we noted:

- TSA's controls over the review and approval of personnel actions were not operating effectively throughout FY2009. Specifically, TSA was unable to provide evidence of review and approval of personnel actions.
- TSA does not have documented policies and procedures in place to ensure the fringe benefit and taxes portions of annual leave are properly accrued.
- TSA does not have documented policies and procedures to ensure a review of the completeness and accuracy of aggregate payroll expense prior to processing.
- TSA does not have documented policies and procedures to ensure that webTA and the National Finance Center (NFC) unfunded leave balances are reconciled and adjusted for quarterly reporting.

*Recommendations:*

We recommend that TSA:

- Design and implement a policy for the timely review and approval of personnel actions, including retention of appropriate documents.
- Develop a policy to ensure the fringe benefit and tax portions of annual leave are properly accrued.
- Document policies and procedures to ensure a review of the completeness and accuracy of aggregate payroll expense prior to processing,
- Document policies and procedures to ensure that webTA and NFC unfunded leave balances are reconciled and adjusted for quarterly reporting.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**X. UNITED STATES COAST GUARD (USCG)**

**USCG – FMC 09-01 – Accounts Receivable (NFR No. USCG 09-17)**

Coast Guard's process to record, review, and monitor accounts receivable activity is not properly designed to support the completeness, accuracy, existence, and valuation of its accounts receivable balances. Specifically, Coast Guard continues to operate with draft SOPs that lack detail and do not identify and describe the internal controls over the accounts receivable process.

Further, the following conditions that were identified related to Coast Guard accounts receivable processes and data:

- We noted discrepancies between subledger and general ledger for four out of 22 accounts receivable accounts without evidence of research to resolve the discrepancies on a timely manner for the CAS reconciliation as of March 31, 2009.
- Coast Guard does not comply with generally accepted accounting principles (GAAP), as no allowance policies/procedures exist to properly adjust existing accounts receivable balances related to the Maintenance and Logistics Command – Pacific (MLCPAC), PPC activity.

*Recommendations:*

We recommend that the Coast Guard:

- Conduct a comprehensive review of the processes to initiate, record, validate, and report accounts receivable balances for inclusion in the Department of Homeland Security (DHS) consolidated financial statements.
- Determine the relevant financial assertions associated with the processes to record the accounts receivable balances.
- Identify the risks and current conditions that preclude management from supporting the identified financial assertions.
- Make appropriate changes to systems and processes/sub-processes methodologies, to include the design and implementation of internal controls, to mitigate the risks/conditions identified. Use only supported assumptions, populations, and underlying data for any planned allowance/write-off methodologies, and implement validation procedures to determine the accuracy of the allowance balances as well as refinements to the methodology and assumptions.
- Test the controls to determine that they are designed properly and operating effectively.
- Develop, document, and implement formal policies and procedures, to include internal controls, to verify the assertion of completeness of the accounts receivable balances. The policies and procedures should address the timely recording of all accounts receivable activity.
- Develop and implement an allowance methodology that complies with GAAP and that all assumptions used in developing the methodology are supported by proper documentation. Reevaluate existing allowance/write-off methodologies to ensure GAAP compliance is met and all assumptions used are supported by proper documentation.
- Develop procedures to produce a timely complete population of accounts receivable transactions, to include allowance and write-off activity, and ensure that the population reconciles to the accounts receivable balances included in the DHS financial statements.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

- Develop and implement policies and procedures for conducting research to (1) resolve variances between the accounts receivable subledgers and the system general ledger and (2) determine if aged receivables are valid in a timely manner.

**USCG – FMC 09-02 – Legal Liability Reporting (NFR No. USCG 09-28)**

Certain Coast Guard controls over completeness and accuracy of the overall Coast Guard legal liabilities balance, recorded as part of the DHS legal liability on the September 30, 2009 DHS financial statements, were either not properly designed or operating effectively during FY 2009. Specifically, we noted the following:

- We noted the Legal Support Command (LSC) relies on assurance statements from districts and lower level offices within their area of responsibility to ensure that all offices are adhering to Coast Guard policies and immediately reporting all contingent legal liabilities (CLL). The LSC does not perform periodic “validation checks” and/or “floor to file” reviews to assess the completeness and accuracy of the assurance statements.
- The “floor to file” procedures, noted in the desktop procedures for CLL, were not performed at the LSC or Finance Center related to the June 30, 2009 CLL data.
- Coast Guard does not have a methodology to support the 20 percent threshold prescribed to perform the quarterly floor to file checks of open case files in the desktop procedures for CLL.
- The implemented SOPs and Financial Resource Management Manual (FRMM) were not finalized until the fourth quarter of FY 2009.
- Coast Guard had not designed and implemented controls to ensure a formal supervisory review of the historical payout rate calculation and the application of it to the quarterly legal liabilities balance.
- Coast Guard had not designed and implemented controls to ensure that settlements paid out of the Judgment Fund are properly captured in the quarterly legal liabilities balance.

*Recommendations:*

We recommend that Coast Guard:

- Perform periodic “validation checks” and/or “floor to file” reviews to assess the completeness and accuracy of the assurance statements of district and lower-level offices.
- Reevaluate the methodology and procedures surrounding quarterly reviews for completeness and accuracy. Perform an analysis in order to support the methodology, sampling plan, and review procedures, and ensure that all elements are properly documented in the SOP and FRMM.
- Develop, document, and implement a process for supervisory review of the historical payout rate calculation and the application of it to the quarterly CLL balance.
- Develop, document, and implement a process to ensure that settlements paid out of the Judgment Fund are properly capture in the quarterly legal liabilities balance.

**USCG – FMC 09-03 – Nonexpenditure Transfer Forms (NFR No. USCG 09-34)**

Our examination of Journal Vouchers (J/Vs) for all Treasury Warrants and Nonexpenditure Transfers between the dates of October 1, 2008 and March 31, 2009 totaled 23 J/Vs. We identified three J/Vs related to separate Nonexpenditure Transfers which were not reviewed by the required individuals.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

*Recommendations:*

- Conduct comprehensive reviews of all J/Vs prior to entry ensuring approvals by proper individuals.
- Determine whether there are sufficient authorized reviews of J/Vs to mitigate risk that journal voucher reviews may not be performed by proper individuals when the authorized reviewer(s) are not present.

---

**XI. UNITED STATES SECRET SERVICE (USSS)****USSS – FMC 09-01 – Lack of USSS Headquarters Review of Monthly Seized Counterfeit Currency Reconciliation (NFR No. USSS 09-03)**

Each month, USSS Headquarters (HQ) requires personnel in its field offices to prepare a report of the amount of seized property on hand and detailing the reasons for the change from the prior month (e.g., new seizures, destructions, adjustments). A supervisor at each field office is required to review this data and certify to its accuracy before providing it to HQ. HQ then uses this information to prepare a consolidated reconciliation and to aggregate the data reported by the field offices. However, we noted that this reconciliation/compilation is not reviewed by HQ personnel in either the Forensic Services Division (FSD) or the Financial Management Division (FMD) on a monthly basis as it is prepared. Instead, HQ personnel in FSD and FMD both review only the year-end September reconciliation.

In addition, at year end, HQ personnel in FSD prepare and review a schedule compiling the data reported in each month's reconciliation, which is used in preparation of the prohibited seized property footnote disclosure. However, the underlying data supporting this schedule (i.e., the monthly reconciliation) is not reviewed.

*Recommendations:*

We recommend that USSS institute procedures to perform and document a review of the seized counterfeit currency reconciliation prepared at Headquarters on a monthly basis and/or develop new policies and procedures, using the Counterfeit Tracking Application system, to aggregate data from the field offices for financial reporting purposes. These policies should include procedures for personnel in either FSD or FMD to perform and document a review of the data compilation.

## **XII. CONSOLIDATED (CONS)**

### **CONS – FMC 09-01 – Tracking System for Ethics Training, Public Financial Disclosures, and Confidential Reports (NFR No. CONS 09-02)**

During our testwork over entity-level controls, we noted that the DHS has not finalized and issued procedural guidance for financial disclosure reporting and department-wide supplemental ethics guidance, including the DHS' supplemental Standards of Conduct. Additionally, the DHS does not have a single, department-wide system to record and monitor required ethics training and to record the positions that required their incumbents to file financial disclosure reports and, consequently, is not able to monitor the filing status of all required reports.

#### *Recommendations:*

We recommend that the DAEO, in conjunction with the Chief Human Capital Officer and the Chief Information Officer, as appropriate:

- Continue to work to finalize and issue procedural guidance for financial disclosure reporting and department-wide supplemental ethics guidance, including the revised Secretarial statement on the Standards of Conduct.
- Continue to develop and implement a department-wide system to ensure all employees who must complete financial disclosure reports/ethics training are identified and monitored annually.

### **CONS – FMC 09-02 – Review of Component Financial Information (NFR No. CONS 09-08)**

We noted that there was no sign-off or documented evidence of review (notes or tick marks) by the Financial Management Coordination Branch (FMCB) Assistant Director at the time of testwork for the component binders listed below:

- Science and Technology (S&T) for the month ended April 30, 2009
- U.S. Secret Service (USSS) for the month ended April 30, 2009
- Office of Intelligence & Analysis; Office of Operations Coordination; and Office of Policy (MGA) for the month ended June 30, 2009.

#### *Recommendations:*

We recommend that the Office of Financial Management (OFM) ensure that the monthly and quarterly reviews of Component financial information are conducted in accordance with the Component Requirements Guide and properly documented in a timely manner.

### **CONS – FMC 09-03 – Lack of Department-wide Policies and Noncompliance with the Debt Collection Improvement Act of 1996 (DCIA) (NFR No. CONS 09-11)**

We noted the following condition related to DCIA policies:

- During fiscal year 2009, OFM drafted two DCIA-related, department-wide financial policies: “Non-Tax Debt Collection and Referral and Write-Off” and “Treasury Report on Receivables.” However, as of September 30, 2009, these policies were in the publication phase and had not been approved by the Chief Financial Officer or implemented into the Financial Management Policy Manual.

Department of Homeland Security  
*Financial Management Comments*  
 September 30, 2009

---

- DHS improved its eligible debt referral rate to Treasury throughout FY 2009. As of June 30, 2009, 83 percent of eligible debt was referred to Treasury. However, improvements in debt referral are still needed in order to fully comply with DCIA, particularly at TSA and USCG.

*Recommendations:*

We recommend that the DHS OFM:

- Issue final DCIA policies and disseminate this guidance to the DHS components through the Financial Management Policy Manual
- Continue to be a resource for components to address component-specific debt referral issues.

**CONS – FMC 09-04 – Preparation of the Departmental Interim Legal Letter**  
*(NFR No. CONS 09-15)*

During our review over the Interim Legal Letter, we noted the following deficiencies:

- Certain non-stand-alone component OGC's used \$15 million in order to report on aggregate of all other cases not reported as part of the individual cases and not reported as part of the aggregate of similar cases over \$7.5 million, if the aggregate of these exceeds \$15 million at the component level, per OFM guidance. However, the \$15 million threshold should be used at the Department level.
- OGC does not maintain a central database that stores a comprehensive list of all cases that is readily available upon request.

*Recommendations:*

We recommend that:

- The OFM work with the Office of General Counsel OGC to properly analyze cases using the \$15 million aggregate threshold at the Department level.
- The OGC develop a Department-level or consistent component-based tracking system for all open legal claims and assessments and maintain the database to ensure information related to legal liabilities is readily available and complete.

**CONS – FMC 09-05 – Discrepancies Exist Between DHS Guidance and the Treasury Information Executive Repository (TIER) Analytical Report** *(NFR No. CONS 09-23)*

We identified the following exception upon comparing the DHSTIER Specifications Table with the analytics guidance documented in the DHS OFM SOPs:

- Trust Funds Analytics #6-3F, #6-3I, #6-3N, and #6-3T, "Unpaid Expended Authority = Accounts Payable – Activity," includes the year-to-date activity (A) for account 2155, calculated as the difference between ending balance and beginning balance. However, the analytic incorrectly calculates this as both the ending and beginning balances for account 2155, which are summed in the analytic formula.

*Recommendation:*

We recommend that DHS OFM modify the DHS TIER Specification Table to be consistent with the DHS OFM SOP, and ensure that the analytic formulas are accurate and complete.



Department of Homeland Security  
*Financial Management Comments*  
 September 30, 2009

---

**CONS – FMC 09-06 – Review of Federal Employees’ Compensation Act (FECA) Actuarial Liability (NFR No. CONS 09-25)**

We noted no evidence of the FMCB review over the OIG, CIS, FEMA, FLETC, and TSA Component FECA Actuarial Liability allocation.

*Recommendations:*

We recommend that the OFM FMCB ensure the year-end FECA Actuarial Liability review is conducted in accordance with the DHS OFM Standard Operating Procedures for Financial Reporting and is properly documented in a timely manner. Additionally, ensure proper training and supervision for new FMCB employees over the FECA Actuarial Liability review process.

**CONS – FMC 09-07 – Timely Documentation and Review of Intragovernmental Activity and Balances (NFR No. CONS 09-27)**

- DHS OFM did not timely review the Intragovernmental Activity and Balances Binder for the quarter ended March 31, 2009. There was no documented evidence of review or sign-off of the quarterly reconciliation by the Financial Reporting Branch (FRB) Assistant Director at the time of testwork.
- DHS OFM did not prepare the summary memo and trend analysis for inclusion in the second quarter Intragovernmental Activity and Balances Binder at the time of testwork. These memos are part of the required documentation per OFM’s Standard Operating Procedures and were subsequently provided upon the auditor’s request.
- There was no detailed evidence of OFM’s review of the reconciliation prepared by the components. In addition, OFM could not readily determine the reason for supporting files for the Coast Guard not agreeing to the reconciliation.

*Recommendations:*

We recommend that the OFM –FRB:

- Ensure that quarterly reconciliations and reviews of the Intragovernmental Activity and Balances Binder are conducted by the FRB Staff Accountant and the FRB Assistant Director in accordance with OFM’s Standard Operating Procedures and properly documented in a timely manner.
- Develop a method of review in the Intragovernmental Activity and Balances Binder to display both review by the FRB Staff Accountant and the FRB Assistant Director as a best practice.

**CONS – FMC 09-08 – OFM Review of June 30, 2009 Annual Financial Report (AFR) (NFR No. CONS 09-28)**

We noted supporting documentation was not consistently maintained in the June 30, 2009 draft AFR Production Binders or the Component Binders for narrative data submissions, and that OFM did not consistently perform a review for reasonableness of data submitted by components.

*Recommendations:*

To enhance the review process over the financial statements and footnotes, we recommend that DHS OFM:

- Review component submissions for reasonableness and large fluctuations while updating the narrative data in the interim and final AFR.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

- As a best practice, obtain supporting documentation where practical to enable timely identification of errors.

**CONS – FMC 09-09 – Component Monitoring Related to Review of the GAO 2020 Checklists**  
(NFR No. CONS 09-29)

During our June 30, 2009 review of the GAO Checklists, deficiencies were noted at the component level. Specifically, our USCG team noted numerous deficiencies during their review over the GAO 2020 Checklist. Upon review of the related Component Binder and inquiry of the Desk Officer, the Checklist was not reviewed for reasonableness and there was no documented evidence of review. In addition, deficiencies in the component checklists noted above were not identified, and follow-up action with component management was not documented.

*Recommendation:*

We recommend that OFM ensure consistent and sufficient review of the GAO/PCIE Checklists submitted by components, in accordance with the OFM Standard Operating Procedures, to ensure completeness and accuracy in the DHS consolidated financial statements.

**CONS – FMC 09-10 – Noncompliance with OMB Circular A-136 as Related to Management’s Discussion and Analysis** (NFR No. CONS 09-30)

In the FY 2009 draft *Annual Financial Report*, DHS presented the performance discussion in the Management’s Discussion and Analysis according to the five priority areas as set forth by Secretary Napolitano, and not by the strategic goals as laid out in the Department’s approved Strategic Plan, as required by the OMB Circular A-136.

*Recommendation:*

We recommend that DHS report its performance information in the Management Discussion and Analysis in accordance with OMB Circular A-136 in order to fully comply with the regulation and ensure internal consistency within the *Annual Financial Report*.

**CONS – FMC 09-11 – Evidence of 9-30-09 Journal Voucher and Journal Voucher Log Review**  
(NFR No. CONS 09-31)

We noted that OFM was unable to provide readily available evidence of the required reviews and approvals over year-end journal vouchers (J/Vs). Specifically, we noted four journal vouchers did not contain sufficient evidence of the required FRB review and approvals. In addition, we identified the J/V log, as of October 17, 2009 and November 2, 2009, did not have all of the required signatures.

*Recommendation:*

We recommend that the OFM ensure the quarterly reviews of the J/Vs and the journal voucher log are conducted in accordance with the Standard Operating Procedures and properly documented in a timely manner.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**CONS – FMC 09-12 – Preparation and Review of the Special-Purpose Financial Statements and Notes (NFR No. CONS 09-32)**

During our audit of the closing package, we noted omissions and errors in the *Financial Report of the U.S. Government All Notes Report (GF006)* related to Note 12, *Environmental and Disposal Liabilities*, Note 17, *Prior-Period Adjustments*, Note 19, *Commitments*, Note 22, *Earmarked Funds*, and Note 26, *Heritage Assets*.

*Recommendation:*

We recommend that OFM perform a more detailed review over the Government-wide Financial Reporting System notes prior to submission to Treasury, to include comparison to the general-purpose financial statements and related notes.

Department of Homeland Security  
*Financial Management Comments*  
September 30, 2009

---

**XIII. OFFICE OF HEALTH AFFAIRS (OHA)****OHA – FMC 09-01 – Accounting for Bioshield Funds and Management Review  
(NFR No. OHA 09-01)**

During our interim testwork over Bioshield funds, we noted the following:

- Fund Balance with Treasury, Accounts Payable, and UDOs supporting documentation did not agree to the trial balance.
- Automatic accruals were generated for the Bioshield funds through April 2009, based on a monthly accrual estimation process. Upon review of the December trial balance, we noted that the balances in one of the Bioshield funds remained unchanged from September 30, 2008. Upon inquiry, management responded that if an accrual had been posted, an abnormal debit balance would have been created within the sub-object class of account 4801 – *Undelivered Orders – Obligations, Unpaid* account.
- The monitoring control over invoice and payment authorizations under the Bioshield reimbursable agreements does not include a review of the confirmations of actual payment made to vendors.
- OHA does not have formal SOPs over the monthly reconciliation process and the semiannual process of monitoring invoices and payments under the Bioshield reimbursable agreements.

*Recommendations:*

We recommend that OHA:

- Develop a method to estimate monthly accruals when appropriate data is not available in a timely manner.
- Update the Bioshield transaction log and summary spreadsheet in a timely manner to submit accurate accruals prior to the quarterly DHS Transaction Information Repository System submission deadlines.
- Formalize controls in SOPs and ensure they include a procedure to review payment transactions made under reimbursable agreements.

Department of Homeland Security  
 Crosswalk - Financial Management Comments to NFRs  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
CONS	09-01	<i>Number not used</i>	Not applicable			
CONS	09-02	Tracking System for Ethics Training, Public Financial Disclosures, and Confidential Reports				09-01
CONS	09-03	Audited Financial Statements			L	
CONS	09-04	<i>Number not used</i>	Not applicable			
CONS	09-05	<i>Number not used</i>	Not applicable			
CONS	09-06	<i>Number not used</i>	Not applicable			
CONS	09-07	<i>Number not used</i>	Not applicable			
CONS	09-08	Review of Component Financial Information				09-02
CONS	09-09	<i>Number not used</i>	Not applicable			
CONS	09-10	<i>Number not used</i>	Not applicable			
CONS	09-11	Lack of Department-wide Policies and Noncompliance with Debt Collection Improvement Act (DCIA) of 1996				09-03
CONS	09-12	<i>Number not used</i>	Not applicable			
CONS	09-13	Statement of Net Cost (SNC) Methodologies and IT Systems Functionality			J	
CONS	09-14	<i>Number not used</i>	Not applicable			
CONS	09-15	Preparation of the Departmental Interim Legal Letter				09-04
CONS	09-16	<i>Number not used</i>	Not applicable			
CONS	09-17	<i>Number not used</i>	Not applicable			
CONS	09-18	<i>Number not used</i>	Not applicable			
CONS	09-19	Non-compliance with OMB Circular A-50, <i>Audit Follow-up</i>			I	
CONS	09-20	<i>Number not used</i>	Not applicable			
CONS	09-21	<i>Number not used</i>	Not applicable			
CONS	09-22	<i>Number not used</i>	Not applicable			
CONS	09-23	Discrepancies Exist Between DHS Guidance and the TIER Analytical Report				09-05
CONS	09-24	<i>Number not used</i>	Not applicable			
CONS	09-25	Review of FECA Actuarial Liability				09-06
CONS	09-26	<i>Number not used</i>	Not applicable			
CONS	09-27	Timely Documentation and Review of Intragovernmental Activity and Balances				09-07
CONS	09-28	OFM Review of 6/30 AFR				09-08
CONS	09-29	Component Monitoring Related to Review of GAO 2020 Checklists				09-09
CONS	09-30	Noncompliance with OMB Circular A-136 as Related to Management's Discussion and Analysis				09-10
CONS	09-31	Evidence of 9-30-09 Journal Voucher and Journal Voucher Log Review				09-11
CONS	09-32	Preparation and Review of the Special-Purpose Financial Statements and Notes				09-12

Department of Homeland Security  
 Crosswalk - Financial Management Comments to NFRs  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
CBP	09-01	Verification of Check Proof Listing and Certification of Payments		H		
CBP	09-02	Detection of Excessive Drawback Claims		H		
CBP	09-03	Insufficient Retention Period for Documents that Support Drawback Claims		H		
CBP	09-04	ACS Deficiency over the Accumulation of Claims Against a Drawback Bond		H		
CBP	09-05	Deficiencies in the In-bond Process		H		
CBP	09-06	System Integration and Compliance with the USSGL at the Transaction Level			J	
CBP	09-07	ACS Deficiencies over Non-entity Account Receivable and CBP's Ability to Effectively Monitor Collection Actions		H		
CBP	09-08	ACS Limitations – Review of Prior Related Drawback Claims and Selectivity for Underlying Consumption Entries		H		
CBP	09-09	<i>Number not used</i>	Not applicable			
CBP	09-10	<i>Number not used</i>	Not applicable			
CBP	09-11	<i>Number not used</i>	Not applicable			
CBP	09-12	Failure to Complete Supervisory Review		H		
CBP	09-13	<i>Number not used</i>	Not applicable			
CBP	09-14	<i>Number not used</i>	Not applicable			
CBP	09-15	Weaknesses Identified in the Bonded Warehouse and Foreign Trade Zone Process and Procedures		H		
CBP	09-16	Weaknesses in the Monitoring, Review, and Oversight Process over the Completion of Fines, Penalties, and Forfeitures Cases		H		
CBP	09-17	Inadequate Oversight of Entry Summary Compliance Measurement		H		
CBP	09-18	Weakness in the Review of Weekly/Monthly Entry Edit Reports		H		
CBP	09-19	<i>Number not used</i>	Not applicable			
CBP	09-20	<i>Number not used</i>	Not applicable			
CBP	09-21	<i>Number not used</i>	Not applicable			
CBP	09-22	<i>Number not used</i>	Not applicable			
CBP	09-23	Untimely Deobligation of Inactive Obligations (UDOs)	F			
CBP	09-24	Improper Settlement of Assets, Including Untimely Capitalization of Assets from CIP	D			
CBP	09-25	<i>Number not used</i>	Not applicable			
CBP	09-26	<i>Number not used</i>	Not applicable			
CBP	09-27	<i>Number not used</i>	Not applicable			
CBP	09-28	Miscellaneous Seized Inventory Findings				09-01
CBP	09-29	Lack of Formal Policies over Review of ISA Annual Notification Letters				09-02
CBP	09-30	Weaknesses in CBP's Processes Related to Asset Additions	D			
CBP	09-31	<i>Number not used</i>	Not applicable			
CBP	09-32	<i>Number not used</i>	Not applicable			

Department of Homeland Security  
 Crosswalk - Financial Management Comments to NFRs  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
CBP	09-33	Weaknesses in Recording Facilities Management and Engineering CIP	D			
CBP	09-34	Misstatement of the March 31, 2009 SBI CIP	D			
CBP	09-35	Controls over Capital Leases	D			
CBP	09-36	Misstatement of the March 31, 2009 Inventory and Related Property, Net	D			
CBP	09-37	Lack of Controls over the Timely Processing of Goods and Services Received				09-03
CBP	09-38	Weakness in CBP's Management Review of the Financial Statements				09-04
CBP	09-39	Weaknesses in CBP's Assessment and Identification of New/Relevant Financial Reporting Issues	A			
CBP	09-40	Management Oversight of PP&E	D			
CBP	09-41	Findings Related to the Accounting for the Secure Border Initiative (SBI) Net Program	D			
CBP	09-42	Weaknesses in CBP's Processes Related to Asset Disposals	D			
CBP	09-43	Weaknesses in CBP's Classification of PP&E Related Transactions	D			
CBP	09-44	Weakness in CBP's Management Review of Contracts				09-05
CBP	09-45	Deficiencies in CBP's Controls over Calculating the Validity and Collectability of Non-entity Taxes, Duties, and Trade Receivables, (Net)				09-06
CBP	09-46	Deficiencies in CBP's Controls over the Application of Benefits to the Application of Benefits to Customs-Trade Partnership Against Terrorism (C-TPAT) Partners				09-07
CBP	09-47	Weaknesses in Accounting for Imputed Financing				09-08
FEMA	09-01	<i>Number not used</i>	Not applicable			
FEMA	09-02	Financial Monitoring of Grants by the Former Office of G&T	E			
FEMA	09-03	<i>Number not used</i>	Not applicable			
FEMA	09-04	Non-grant related Unliquidated Obligations (ULOs) within the Former G&T not Adequately Supported and De-obligated Timely	F			
FEMA	09-05	<i>Number not used</i>	Not applicable			
FEMA	09-06	<i>Number not used</i>	Not applicable			
FEMA	09-07	Lack of Current Anti-deficiency Act Policies and Procedures		G		
FEMA	09-08	Ineffective Controls over Processing MA Payments		G		
FEMA	09-09	Untimely De-obligation of MAs and Delegations of Authority, and Control Deficiencies Related to Quarterly Review of MAs	F			
FEMA	09-10	<i>Number not used</i>	Not applicable			
FEMA	09-11	<i>Number not used</i>	Not applicable			
FEMA	09-12	Lack of Supporting Documentation and Deficiencies in Development and Application of Policies for the Reporting of IUS and IUS in Development				09-01
FEMA	09-13	Noncompliance with Ethics Requirements		G		

Department of Homeland Security  
Crosswalk - Financial Management Comments to NFRs  
September 30, 2009

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
FEMA	09-14	<i>Number not used</i>	Not applicable			
FEMA	09-15	<i>Number not used</i>	Not applicable			
FEMA	09-16	<i>Number not used</i>	Not applicable			
FEMA	09-17	Unavailability of Supporting Documentation for Certain Entity Level Controls				09-02
FEMA	09-18	<i>Number not used</i>	Not applicable			
FEMA	09-19	Lack of Formal Policies and Procedures in Various Areas		G		
FEMA	09-20	Monitoring of Audit Findings in Accordance with OMB Circular Nos. A-133 and A-50, and Related Compliance Matters	E		K	
FEMA	09-21	<i>Number not used</i>	Not applicable			
FEMA	09-22	<i>Number not used</i>	Not applicable			
FEMA	09-23	<i>Number not used</i>	Not applicable			
FEMA	09-24	<i>Number not used</i>	Not applicable			
FEMA	09-25	<i>Number not used</i>	Not applicable			
FEMA	09-26	<i>Number not used</i>	Not applicable			
FEMA	09-27	<i>Number not used</i>	Not applicable			
FEMA	09-28	Temporary Adjustments of Fund Balance with Treasury Reconciling Differences				09-03
FEMA	09-29	<i>Number not used</i>	Not applicable			
FEMA	09-30	<i>Number not used</i>	Not applicable			
FEMA	09-31	<i>Number not used</i>	Not applicable			
FEMA	09-32	Inherited Problems in Legacy Grants & Training's (G&T's) Integrated Financial Management Information System (IFMIS) and Other Issues Noted in the IFMIS to Transaction Information Repository System (TIER) Reconciliations	A			
FEMA	09-33	<i>Number not used</i>	Not applicable			
FEMA	09-34	<i>Number not used</i>	Not applicable			
FEMA	09-35	<i>Number not used</i>	Not applicable			
FEMA	09-36	Internal Control Deficiencies over Claims Paid at Selected Insurance Companies that Participate in FEMA's National Flood Insurance Program (NFIP)				09-04
FEMA	09-37	Inaccuracy of Claims' Loss Reserves at Selected Insurance Companies that Participate in FEMA's NFIP				09-05
FEMA	09-38	<i>Number not used</i>	Not applicable			
FEMA	09-39	Insufficient FEMA Oversight of the NFIP Service Provider's Methodology Used to Calculate Estimates in the FEMA Financial Statements				09-06
FEMA	09-40	<i>Number not used</i>	Not applicable			
FEMA	09-41	Deficiencies in the Submit for Rate Program and Claims Reinspection Program				09-07
FEMA	09-42	Lack of Consistent Policies and Procedures over and Timely Documentation of the IRR Inventory Reconciliation Process				09-08
FEMA	09-43	Lack of Consistent Policies and Procedures Involving the				09-09



Department of Homeland Security  
 Crosswalk - Financial Management Comments to NFRs  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
		Monthly IRR Inventory Rollforward Process				
FEMA	09-44	Insufficient Resources in the Risk Management & Compliance Branch		G		
FEMA	09-45	Monitoring and Communication of Significant Financial-Related Matters in the NFIP		G		
FEMA	09-46	<i>Number not used</i>	Not applicable			
FEMA	09-47	<i>Number not used</i>	Not applicable			
FEMA	09-48	<i>Number not used</i>	Not applicable			
FEMA	09-49	<i>Number not used</i>	Not applicable			
FEMA	09-50	Improvements Needed in Review and Recording of Year-end MA Accrual				09-10
FEMA	09-51	Internal Control Deficiencies over the NFIP Restricted Bank Account Reconciliation at Selected Insurance Companies that Participate in FEMA's National Flood Insurance Program				09-11
FEMA	09-52	Issues Deficiencies Identified in Journal Voucher Testwork Relating to DHS Transaction Information Executive Repository (TIER) File Adjustments and Integrated Financial Management Information System (IFMIS) Abnormal Balances	A			
FEMA	09-53	Internal Control Deficiencies over NFIP TIER JV Adjustments				09-12
FEMA	09-54	Deficiencies in Development and Application of Policy and Lack of Controls Related to the Non-grant, Non-system-generated Accounts Payable Accrual				09-13
FEMA	09-55	Deficiencies in Development and Application of MAs Policies	F			
FEMA	09-56	Ineffective Review Controls over the Accounts Receivable Process				09-14
FEMA	09-57	Lack of Supporting Documentation for Disaster Fund (Fund 6) UDOs	F			
FEMA	09-58	Lack of Supporting Documentation for Non-Fund 6 UDOs	F			
FEMA	09-59	Improvements Needed in Management's Review of Grant Data and Automated Reconciliations in Grant Accrual Models				09-15
FEMA	09-60	Improper Accounting for Budgetary Entries in Treasury Appropriation Fund Symbol (TAFS) 709/00561	F			
FLETC	09-01	<i>Number not used</i>	Not applicable			
FLETC	09-02	<i>Number not used</i>	Not applicable			
FLETC	09-03	<i>Number not used</i>	Not applicable			
FLETC	09-04	<i>Number not used</i>	Not applicable			
FLETC	09-05	<i>Number not used</i>	Not applicable			
FLETC	09-06	<i>Number not used</i>	Not applicable			
FLETC	09-07	<i>Number not used</i>	Not applicable			
FLETC	09-08	<i>Number not used</i>	Not applicable			
FLETC	09-09	<i>Number not used</i>	Not applicable			
FLETC	09-10	<i>Number not used</i>	Not applicable			
FLETC	09-11	<i>Number not used</i>	Not applicable			

Department of Homeland Security  
Crosswalk - Financial Management Comments to NFRs  
September 30, 2009

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
FLETC	09-12	<i>Number not used</i>	Not applicable			
FLETC	09-13	<i>Number not used</i>	Not applicable			
FLETC	09-14	<i>Number not used</i>	Not applicable			
FLETC	09-15	<i>Number not used</i>	Not applicable			
FLETC	09-16	Contract Review Process of Expenses				09-01
FLETC	09-17	<i>Number not used</i>	Not applicable			
FLETC	09-18	<i>Number not used</i>	Not applicable			
FLETC	09-19	<i>Number not used</i>	Not applicable			
FLETC	09-20	FFMIA Noncompliance			J	
FLETC	09-21	<i>Number not used</i>	Not applicable			
FLETC	09-22	<i>Number not used</i>	Not applicable			
FLETC	09-23	Untimely Capitalization of PP&E				09-02
FLETC	09-24	<i>Number not used</i>	Not applicable			
FLETC	09-25	<i>Number not used</i>	Not applicable			
FLETC	09-26	FMFIA Noncompliance			I	
FLETC	09-27	Budgetary Controls over Upward/Downward Adjustments				09-03
FLETC	09-28	Improper Expensing and Capitalization of CIP and PP&E costs				09-04
FLETC	09-29	Management Review of the Billing Process				09-05
FLETC	09-30	Management Review of Purchase Card Statements				09-06
FLETC	09-31	Accounts Payable Estimation Methodology				09-07
FLETC	09-32	Untimely Referral of Receivables to Treasury				09-08
FLETC	09-33	Budgetary Controls over Upward/Downward Adjustments – Untimely Deobligations				09-09
FLETC	09-34	Controls over Financial Reporting				09-10
FLETC	09-35	Capital Leases				09-11
USCIS	09-01	<i>Number not used</i>	Not applicable			
USCIS	09-02	<i>Number not used</i>	Not applicable			
USCIS	09-03	<i>Number not used</i>	Not applicable			
USCIS	09-04	Untimely Update of Adjudication Status within CLAIMS 3 and CLAIMS 4				09-01
USCIS	09-05	Applications Included in Deferred Revenue at Incorrect Fee Amounts				09-02
USCIS	09-06	Obligations are not Being Recorded in FFMS in a Timely Manner				09-03
USCIS	09-07	Discrepancies with the Leave Balances Between the NFC Records and STAR Web Reports are not Being Researched and Resolved Timely				09-04
USCIS	09-08	<i>Number not used</i>	Not applicable			
USCIS	09-09	<i>Number not used</i>	Not applicable			

Department of Homeland Security  
 Crosswalk - Financial Management Comments to NFRs  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
USCIS	09-10	<i>Number not used</i>	Not applicable			
USCIS	09-11	<i>Number not used</i>	Not applicable			
USCIS	09-12	Inadequate Internal Controls over the Reporting of Fixed Assets				09-05
USCIS	09-13	Deficiencies in the Deferred Revenue QA Process and the Internal Control Environment				09-06
USCIS	09-14	Inadequate and/or Inconsistent Supervisor Review of Payroll Transactions				09-07
USCIS	09-15	<i>Number not used</i>	Not applicable			
USCIS	09-16	Issued Involving the Completeness, Existence, and Accuracy of Capitalized Equipment	D			
USCIS	09-17	USCIS is Improperly Including EOIR/'Relief from Deportation' Applications in the Deferred Revenue Query Results				09-08
USCIS	09-18	Compliance with OMB Guidance for TSP Deduction Forms				09-09
USCIS	09-19	Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner				09-10
USCIS	09-20	Inadequate and/or Inconsistent Supervisor Review of Personnel Actions				09-11
USCIS	09-21	Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance				09-12
USCIS	09-22	Insufficient Support for the Determination of Parking Withholdings				09-13
USCIS	09-23	Disbursements are Being Charged to an Improper Sub-object Class				09-14
ICE	09-01	Untimely Execution of Reimbursable Agreements/ SWAs with Other Governmental Entities When ICE is Performing the Services				09-01
ICE	09-02	<i>Number not used</i>	Not applicable			
ICE	09-03	<i>Number not used</i>	Not applicable			
ICE	09-04	Obligations are not Being Recorded in FFMS in a Timely Manner				09-02
ICE	09-05	<i>Number not used</i>	Not applicable			
ICE	09-06	Discrepancies with the Leave Balances Between the NFC Records and webTA Reports are not Being Researched and Resolved Timely				09-03
ICE	09-07	Lack of Procedures to Verify the Receipt and Acceptance of Goods or Services for IPAC Transactions / Lack of Information on IPAC Document				09-04
ICE	09-08	<i>Number not used</i>	Not applicable			
ICE	09-09	<i>Number not used</i>	Not applicable			
ICE	09-10	<i>Number not used</i>	Not applicable			
ICE	09-11	<i>Number not used</i>	Not applicable			
ICE	09-12	<i>Number not used</i>	Not applicable			
ICE	09-13	<i>Number not used</i>	Not applicable			

Department of Homeland Security  
 Crosswalk - Financial Management Comments to NFRs  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
ICE	09-14	<i>Number not used</i>	Not applicable			
ICE	09-15	<i>Number not used</i>	Not applicable			
ICE	09-16	<i>Number not used</i>	Not applicable			
ICE	09-17	<i>Number not used</i>	Not applicable			
ICE	09-18	Inadequacy/Ineffectiveness of Internal Controls over the Preparation and Review of the Pending/Threatened Litigation Against ICE				09-05
ICE	09-19	<i>Number not used</i>	Not applicable			
ICE	09-20	Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner				09-06
ICE	09-21	Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance				09-07
ICE	09-22	Inadequate and/or Inconsistent Review of Personnel Actions				09-08
ICE	09-23	Untimely Resolution of Differences Identified on the SOD				09-09
ICE	09-24	Noncompliance with Human Resources Laws and Regulations				09-10
ICE	09-25	Duplicate Payment Transactions were Processed in the FFMS	B			
ICE	09-26	Processing of Improperly Authorized Reclassification Requests				09-11
ICE	09-27	Certain DRO Disbursements Should Have Been Allocated to Other Funding Sources				09-12
ICE	09-28	Noncompliance with the USSGL – Capitalization Costs are Not Tracked on a Transaction Level			J	
ICE	09-29	<i>Number not used</i>	Not applicable			
ICE	09-30	<i>Number not used</i>	Not applicable			
ICE	09-31	Disbursements are Being Charged to an Improper Sub-object Class (SOC)			J	
ICE	09-32	IPAC Payments were made prior to an Obligation being set up in FFMS				09-13
ICE	09-33	<i>Number not used</i>	Not applicable			
ICE	09-34	Insufficient Internal Controls over IUS Recorded in Previous Years	D			
ICE	09-35	Lack of Supporting Documentation for the Distribution of the SF-132/SF-133 Reconciliation to the Budget Offices.				09-14
MGT	09-01	Obligations are not Being Recorded into FFMS in a Timely Manner				09-01
MGT	09-02	Inadequate Internal Controls over (PP&E)				09-02
MGT	09-03	<i>Number not used</i>	Not applicable			
MGT	09-04	Items in the Suspense Account are not Being Researched and Resolved in a Timely Manner as Defined by Treasury				09-03
MGT	09-05	Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance				09-04
MGT	09-06	Disbursements are Being Charged to an Improper Sub-Object Class (SOC)				09-05
MGT	09-07	Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner				09-06

Department of Homeland Security  
 Crosswalk - Financial Management Comments to NFRs  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
NPPD	09-01	Potential Violation of the Anti-deficiency Act (ADA)			M	
NPPD	09-02	Obligations are not Being Recorded into FFMS in a Timely Manner				09-01
NPPD	09-03	Failure to Provide Reasonable Assurance that Internal Controls are Achieving the Intended Objectives			I	
NPPD	09-04	Items in the Suspense Account are not Being Researched and Resolved in a Timely Manner as Defined by Treasury				09-02
NPPD	09-05	Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance				09-03
NPPD	09-06	SES Failed to File Financial Disclosure Report Timely as Required by the Code of Conduct				09-04
NPPD	09-07	Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner				09-05
NPPD	09-08	Insufficient Internal Controls over PP&E	D			
S&T	09-01	Obligations are not Recorded in FFMS in a Timely Manner				09-01
S&T	09-02	<i>Number not used</i>	Not applicable			
S&T	09-03	<i>Number not used</i>	Not applicable			
S&T	09-04	<i>Number not used</i>	Not applicable			
S&T	09-05	Aged Obligations are not Timely Reviewed to Ensure the Validity and Accuracy of the UDO Balance				09-02
S&T	09-06	SES Employees Failed to File Financial Disclosure Report Timely as Required by the Code of Conduct				09-03
S&T	09-07	Accounts Payable Transactions are not Being Recorded in FFMS in a Timely Manner				09-04
TSA	09-01	<i>Number not used</i>	Not applicable			
TSA	09-02	<i>Number not used</i>	Not applicable			
TSA	09-03	<i>Number not used</i>	Not applicable			
TSA	09-04	Incorrect Trading Partner Codes	A			
TSA	09-05	Undelivered Order Documentation				09-01
TSA	09-06	<i>Number not used</i>	Not applicable			
TSA	09-07	<i>Number not used</i>	Not applicable			
TSA	09-08	<i>Number not used</i>	Not applicable			
TSA	09-09	Financial Reporting Deficiencies	A			
TSA	09-10	Required Supplementary Information				09-02
TSA	09-11	Noncompliance with the Debt Collection Improvement Act (DCIA) of 1996				09-03
TSA	09-12	<i>Number not used</i>	Not applicable			
TSA	09-13	Noncompliance with Federal Financial Management Improvement Act (FFMIA)			J	
TSA	09-14	Noncompliance with FMFIA			I	
TSA	09-15	Grant Monitoring and Compliance with OMB Circular No. A-			K	

Department of Homeland Security  
 Crosswalk - Financial Management Comments to NFRs  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
		133, Audits of States, Local Governments, and Nonprofit Organizations				
TSA	09-16	Compliance with Human Resources Related Laws				09-04
TSA	09-17	<i>Number not used</i>	Not applicable			
TSA	09-18	Ineffectiveness of Controls over the T&A Process				09-05
TSA	09-19	Policies and Procedures to Ensure Compliance with GAAP	A			
TSA	09-20	<i>Number not used</i>	Not applicable			
TSA	09-21	Untimely Update of Asset Transfers	D			
TSA	09-22	Warehouse Property Impairment	D			
TSA	09-23	<i>Number not used</i>	Not applicable			
TSA	09-24	Review of Journal Vouchers	A			
TSA	09-25	Review of Service Organizations' Internal Controls				09-06
TSA	09-26	Incorrect Classification of Obligations as Federal or Non-Federal	A			
TSA	09-27	Accounts Payable Balance	E			
TSA	09-28	Reporting PP&E	D			
TSA	09-29	Entity-level Controls	A	G		
TSA	09-30	Lease Accounting and Disclosure				09-07
TSA	09-31	Ineffective Controls at the Dallas Warehouse	D			
TSA	09-32	GAO Checklists Review				09-08
TSA	09-33	PP&E Site Visits	D			
TSA	09-34	Fund Balance with Treasury Controls				09-09
TSA	09-35	Lack/Ineffectiveness of Controls over the Accounts Receivable Process				09-10
TSA	09-36	Controls over Payroll Procedures				09-11
TSA	09-37	Procurement Controls	E			
TSA	09-38	Policies and Procedures over the PP&E Process	D			
TSA	09-39	Accounts Payable Controls	E			
TSA	09-40	Lack of Policies and Procedures over the Deployment of IUS	D			
TSA	09-41	Unavailability of Supporting Documentation	D			
TSA	09-42	Net Position Controls	A			
USCG	09-01	Statement of Net Cost	A			
USCG	09-02	Contracting Officer Warrant Authority	F			
USCG	09-03	Accounts Payable Accrual	E			
USCG	09-04	Purchase Requests/Commitments	F			
USCG	09-05	<i>Number not used</i>	Not applicable			
USCG	09-06	Operating Materials and Supplies	D			
USCG	09-07	Accrued Payroll and Unfunded Leave Accrual	E			

Department of Homeland Security  
 Crosswalk - Financial Management Comments to NFRs  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
USCG	09-08	PP&E Construction In Process	D			
USCG	09-09	Postemployment Travel Process	E			
USCG	09-10	PP&E Repairables	D			
USCG	09-11	<i>Number not used</i>	Not applicable			
USCG	09-12	Actuarial Medical Liabilities	E			
USCG	09-13	Intragovernmental Transactions and Balances	A			
USCG	09-14	Financial Disclosure Reports		G		
USCG	09-15	Environmental Liabilities	E			
USCG	09-16	<i>Number not used</i>	Not applicable			
USCG	09-17	Accounts Receivable				09-01
USCG	09-18	PP&E Asset Records	D			
USCG	09-19	Undelivered Orders	F			
USCG	09-20	Cumulative Results of Operations	A			
USCG	09-21	FFMIA			J	
USCG	09-22	FBwT – Reconciliation/Military and Civilian Payroll Processes	C			
USCG	09-23	PP&E Non-Construction In Process (CIP) Assets	D			
USCG	09-24	Federal Managers' Financial Integrity Act			I	
USCG	09-25	Suspense Accounts	C			
USCG	09-26	Vessels and Small Boats Useful Lives	D			
USCG	09-27	Year-end Pipeline Adjustment	F			
USCG	09-28	Legal Liability Reporting				09-02
USCG	09-29	Financial Management Oversight	A			
USCG	09-30	Financial Statement Disclosures	A			
USCG	09-31	Financial Reporting Process	A			
USCG	09-32	<i>Number not used</i>	Not applicable			
USCG	09-33	Heritage Assets	D			
USCG	09-34	Nonexpenditure Transfer Forms				09-03
USSS	09-01	<i>Number not used</i>	Not Applicable			
USSS	09-02	<i>Number not used</i>	Not Applicable			
USSS	09-03	Lack of USSS Headquarters Review of Monthly Seized Counterfeit Currency Reconciliation				09-01
OHA	09-01	Accounting for Bioshield Funds and Management Review				09-01

Department of Homeland Security  
*Crosswalk - Financial Management Comments to NFRs*  
September 30, 2009

---

<sup>1</sup> Disposition Legend:

IAR	Independent Auditors' Report
FMC	Financial Management Comment
MW	Material Weakness as reported in the IAR
SD	Significant Deficiency as reported in the IAR
NC	Noncompliance with laws, regulations, contracts, and grant agreements as reported in the IAR

The following links to the applicable sections of the IAR:

A	Financial Management and Reporting
B	Information Technology Controls and System Functionality
C	Fund Balance with Treasury
D	Property, Plant, and Equipment and Operating Materials and Supplies
E	Actuarial and Other Liabilities
F	Budgetary Accounting
G	Other Entity-Level Controls
H	Custodial Revenue and Drawback
I	<i>Federal Managers' Financial Integrity Act of 1982 (FMFIA), and Laws and Regulations Supporting OMB Circular No. A-50, Audit Follow-up, as revised</i>
J	<i>Federal Financial Management Improvement Act of 1996 (FFMIA)</i>
K	<i>Single Audit Act Amendments of 1996</i>
L	<i>Chief Financial Officers Act of 1990</i>
M	<i>Anti-deficiency Act</i>



**Department of Homeland Security**  
*Status of Prior Year NFR's*  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>2</sup>	
			Closed	Repeat (09 NFR No.)
CONS	08-01	Government Performance Results Act (GPRA) Noncompliance	X	
CONS	08-02	Tracking System for Ethics Training, Public Financial Disclosures, and Confidential Reports		CONS 09-02
CONS	08-03	Audited Financial Statements		CONS-09-03
CONS	08-04	Number not used	Not applicable	
CONS	08-05	Number not used	Not applicable	
CONS	08-06	Number not used	Not applicable	
CONS	08-07	Number not used	Not applicable	
CONS	08-08	Review of Component Financial Information		CONS 09-08
CONS	08-09	Number not used	Not applicable	
CONS	08-10	Number not used	Not applicable	
CONS	08-11	Lack of Compliance with the Debt Collection Improvement Act of 1996 (DCIA)		CONS 09-11
CONS	08-12	Number not used	Not applicable	
CONS	08-13	Statement of Net Cost (SNC) Methodologies and IT Systems Functionality		CONS 09-13
CONS	08-14	Number not used	Not applicable	
CONS	08-15	Preparation of the Departmental Legal Letter		CONS 09-15
CONS	08-16	Component Controls over the Intragovernmental Reconciliation Process	X	
CONS	08-17	Configuration of the Transaction Elimination Pairs Report	X	
CONS	08-18	Number not used	Not applicable	
CONS	08-19	Lack of compliance with OMB Circular A-50, Audit Follow-up		CONS 09-19
CONS	08-20	Number not used	Not applicable	
CONS	08-21	Number not used	Not applicable	
CONS	08-22	Number not used	Not applicable	
CONS	08-23	Discrepancies Exist Between DHS Guidance and the TIER Analytical Report		CONS 09-23
CONS	08-24	Trial Balance Analytical Relationships	X	
CONS	08-25	Review of FECA Actuarial Liability		CONS 09-25
CONS	08-26	Review of 9/30 Annual Financial Report	X	
CBP	08-01	Verification of CPL and Certification of Payments		CBP 09-01
CBP	08-02	Detection of Excessive Drawback Claims		CBP 09-02
CBP	08-03	Insufficient Retention Period for Documents that Support Drawback Claims		CBP 09-03
CBP	08-04	ACS Deficiency over the Accumulation of Claims against a Drawback Bond		CBP 09-04
CBP	08-05	Deficiencies in the In-bond Process		CBP 09-05
CBP	08-06	System Integration and Compliance with the USSGL at the Transaction Level		CBP 09-06
CBP	08-07	ACS Deficiencies over Non-entity Account Receivable and CBP's Ability to Effectively Monitor Collection Actions		CBP 09-07

**Department of Homeland Security**  
*Status of Prior Year NFR's*  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>2</sup>	
			Closed	Repeat (09 NFR No.)
CBP	08-08	ACS Limitations – Review of Prior Related Drawback Claims and Selectivity for Underlying Consumption Entries		CBP 09-08
CBP	08-09	Number not used	Not applicable	
CBP	08-10	Weaknesses in the Management of Environmental Liabilities	X	
CBP	08-11	Overpayment of Drawback Claims	X	
CBP	08-12	Failure to Perform a Full Desk Review/Supervisory Review		CBP 09-12
CBP	08-13	Number not used	Not applicable	
CBP	08-14	Number not used	Not applicable	
CBP	08-15	Weaknesses Identified in the Bonded Warehouses Foreign Trade Zone Process and Procedures		CBP 09-15
CBP	08-16	Weaknesses in the Requirements Related to the Monitoring, Review, and Oversight Relating to the Efficiency of Completion of FP&F Cases		CBP 09-16
CBP	08-17	Weakness in the Compliance Measurement Program		CBP 09-17
CBP	08-18	Weakness in the Review of Weekly/Monthly Entry Edit Reports		CBP 09-18
CBP	08-19	Number not used	Not applicable	
CBP	08-20	Number not used	Not applicable	
CBP	08-21	Number not used	Not applicable	
CBP	08-22	Number not used	Not applicable	
CBP	08-23	Untimely Deobligation of Inactive Obligations (UDOs)		CBP 09-23
CBP	08-24	Untimely Capitalization of Assets from CIP		CBP 09-24
CBP	08-25	Untimely Recognition in SAP of Assets Received for SBI Fence Construction	X	
CBP	08-26	Weaknesses Related to the Collections and Deposits Process	X	
CBP	08-27	Weaknesses CBP's Reporting of AMO OM&S and Weaknesses Noted in the Performance of the Annual AMO Inventories	X	
CBP	08-28	Weaknesses in Controls over Seized Inventory.		CBP 09-28
CBP	08-29	Lack of Review of ISA Annual Notification Letters		CBP 09-29
CBP	08-30	Weaknesses in CBP's Processes Related to Asset Additions		CBP 09-30
CBP	08-31	Misstatement of Actuarial FECA Liability	X	
CBP	08-32	Misstatement of the September 30, 2008 Leave Accrual	X	
CBP	08-33	Weaknesses in Recording CIP		CBP 09-33
FEMA	08-01	Number not used	Not applicable	
FEMA	08-02	Financial Monitoring of Grants Awarded by the Former Office of G&T		FEMA 09-02
FEMA	08-03	Number not used	Not applicable	
FEMA	08-04	Non-grant Unliquidated Obligations (ULOs) within the Former G&T Not De-obligated Timely		FEMA 09-04
FEMA	08-05	Number not used	Not applicable	
FEMA	08-06	Number not used	Not applicable	

**Department of Homeland Security**  
*Status of Prior Year NFR's*  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>2</sup>	
			Closed	Repeat (09 NFR No.)
FEMA	08-07	Lack of Current Anti-deficiency Act Policies and Procedures		FEMA 09-07
FEMA	08-08	Ineffective Controls over Processing MA Payments		FEMA 09-08
FEMA	08-09	Untimely De-obligation of MA		FEMA 09-09
FEMA	08-09a	Untimely De-obligation of MA	X	
FEMA	08-10	Number not used	Not applicable	
FEMA	08-11	Number not used	Not applicable	
FEMA	08-12	Unavailability of Supporting Documentation for the Reporting of IUS and IUS In Development		FEMA 09-12
FEMA	08-13	Noncompliance with 5 CFR Part 2638 Related to Ethics Training		FEMA 09-13
FEMA	08-14	Lack of Segregation of Duties within the Financial Reporting Process	X	
FEMA	08-15	Number not used	Not applicable	
FEMA	08-16	NEMIS Auto-determination Process Needs Improvement	X	
FEMA	08-17	Unavailability of Supporting Documentation for Certain Entity Level Controls		FEMA 09-17
FEMA	08-18	Number not used	Not applicable	
FEMA	08-19	Lack of Formal Policies and Procedures for Entity Level Controls, Financial Reporting, and Funds Management		FEMA 09-19
FEMA	08-20	Monitoring of Audit Findings in Accordance with OMB Circular Nos. A-133 and A-50, and Related Compliance Matters		FEMA 09-20
FEMA	08-21	FMFIA Noncompliance	X	
FEMA	08-22	Noncompliance with the Improper Payment Improvement Act of 2002	X	
FEMA	08-22a	Additional Noncompliance with the Improper Payment Improvement Act Conditions	X	
FEMA	08-23	Legal Liabilities	X	
FEMA	08-24	Number not used	Not applicable	
FEMA	08-25	Errors Identified In Year-end Flood Insurance Journal Entries	X	
FEMA	08-26	Number not used	Not applicable	
FEMA	08-27	Number not used	Not applicable	
FEMA	08-28	Temporary Adjustments of Fund Balance with Treasury Reconciling Differences		FEMA 09-28
FEMA	08-29	Number not used	Not applicable	
FEMA	08-30	Number not used	Not applicable	
FEMA	08-31	Number not used	Not applicable	
FEMA	08-32	Inherited Problems in G&T's Integrated Financial Management Information System (IFMIS)		FEMA 09-32
FEMA	08-33	Internal Control Deficiencies over Premiums Written at Selected Write Your Own (WYO) Insurance Companies that Participate in FEMA's National Flood Insurance Program	X	
FEMA	08-34	Number not used	Not applicable	
FEMA	08-35	Number not used	Not applicable	

**Department of Homeland Security**  
*Status of Prior Year NFR's*  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>2</sup>	
			Closed	Repeat (09 NFR No.)
FEMA	08-36	Internal Control Deficiencies over Claims Paid at Selected Write Your Own (WYO) Insurance Companies that Participate in FEMA's National Flood Insurance Program		FEMA 09-36
FEMA	08-36a	Internal Control Deficiencies over Claims Paid Year-end Testwork at Selected WYO Insurance Companies that Participate in FEMA's National Flood Insurance Program		FEMA 09-36
FEMA	08-37	Accuracy of Claims' Reserves at Selected WYO Insurance Companies that Participate in FEMA's National Flood Insurance Program		FEMA 09-37
FEMA	08-37a	Accuracy of Claims' Reserves at Selected WYO Insurance Companies that Participate in FEMA's National Flood Insurance Program Identified During Final Testwork		FEMA 09-37
FEMA	08-38	Lack of Accounts Payable Accrual Verification and Validation	X	
FEMA	08-39	Insufficient Documentation of Methodology Used to Calculate NFIP Estimates Reported in the FEMA Financial Statements		FEMA 09-39
FEMA	08-40	Internal Control Deficiencies in the Claims Reinspection Program		FEMA 09-41
FEMA	08-41	Internal Control Deficiencies in the Submit for Rate Program		FEMA 09-41
FEMA	08-42	Lack of Consistent Policies and Procedures over and Timely Documentation of the IRR Inventory Reconciliation Process		FEMA 09-42
FEMA	08-43	Lack of Consistent Policies and Procedures Involving the Monthly IRR Inventory Rollforward Process		FEMA 09-43
FEMA	08-44	Insufficient Resources in the Risk Management & Compliance Branch		FEMA 09-44
FEMA	08-45	Monitoring and Communication of Significant Financial-Related Matters in the NFIP		FEMA 09-45
FEMA	08-46	Insufficient Implementation of Internal Controls/Lack of Segregation of Duties over the Grant Accrual Methodology	X	
FEMA	08-47	Untimely Change in Accounts Payable Accrual Methodology	X	
FEMA	08-48	Lack of an Accounts Payable Accrual for Legacy Office of G&T Non-grant Activities	X	
FEMA	08-49	Lack of Effective Roles over and Timely De-obligation of Unliquidated Obligations (ULOs)	X	
FEMA	08-50	Improvements Needed in Review and Recording of Year-end MA Accrual		FEMA 09-50
FLETC	08-01	The Process to Identify and Record Environmental Liabilities Needs to be Improved	X	
FLETC	08-02	Number not used	Not applicable	
FLETC	08-03	Number not used	Not applicable	
FLETC	08-04	Unrecorded Liabilities Exist as of September 30, 2008		FLETC 09-31
FLETC	08-05	Number not used	Not applicable	
FLETC	08-06	Number not used	Not applicable	
FLETC	08-07	Number not used	Not applicable	
FLETC	08-08	Number not used	Not applicable	
FLETC	08-09	Number not used	Not applicable	

**Department of Homeland Security**  
*Status of Prior Year NFR's*  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>2</sup>	
			Closed	Repeat (09 NFR No.)
FLETC	08-10	Number not used	Not applicable	
FLETC	08-11	Number not used	Not applicable	
FLETC	08-12	Number not used	Not applicable	
FLETC	08-13	Capital Lease Liability	X	
FLETC	08-14	Number not used	Not applicable	
FLETC	08-15	Number not used	Not applicable	
FLETC	08-16	Contract Review Process		FLETC-09-16
FLETC	08-17	Number not used	Not applicable	
FLETC	08-18	Number not used	Not applicable	
FLETC	08-19	Number not used	Not applicable	
FLETC	08-20	FFMIA Non-compliance		FLETC-09-20
FLETC	08-21	Unbilled Reimbursable Revenue	X	
FLETC	08-22	Journal Voucher Weaknesses	X	
FLETC	08-23	Weaknesses Related to CIP		FLETC-09-23
FLETC	08-24	Aged Federal Receivable – Untimely Collection	X	
FLETC	08-25	Depreciation of Newly Capitalized PP&E in the Fixed Assets Module of the Momentum Financial System	X	
FLETC	08-26	FMFIA Noncompliance		FLETC-09-26
USCIS	08-01	Number not used	Not applicable	
USCIS	08-02	Fee Receipts are not Being Deposited in a Timely Manner per Treasury Guidance at USCIS Service Centers	X	
USCIS	08-03	RNACS Improperly Reflects Completed Naturalization Applications as Pending	X	
USCIS	08-04	Untimely Update of Adjudication Status within CLAIMS 3 and CLAIMS 4		USCIS 09-04
USCIS	08-05	Applications Included in Deferred Revenue at Incorrect Fee Amounts		USCIS 09-05
USCIS	08-06	Obligations are not Being Recorded in FFMS in a Timely Manner		USCIS 09-06
USCIS	08-07	Discrepancies with the Leave Balances Between the NFC Records and STAR Reports are not Being Researched and Resolved Timely		USCIS 09-07
USCIS	08-08	Number not used	Not applicable	
USCIS	08-09	Number not used	Not applicable	
USCIS	08-10	Number not used	Not applicable	
USCIS	08-11	Errors in Performance of the Deferred Revenue QA Procedures at the New York City District Office	X	
USCIS	08-12	Inadequate Internal Controls over the Reporting of PP&E		USCIS 09-12
USCIS	08-13	Deficiencies in the Deferred Revenue QA Process and the Internal Control Environment		USCIS 09-13
USCIS	08-14	Inadequate and/or Inconsistent Supervisor Review of Payroll Transactions		USCIS 09-14
USCIS	08-15	Insufficient Documented Evidence of SES Employees' Compliance with the Code of Federal Regulations	X	

**Department of Homeland Security**  
*Status of Prior Year NFR's*  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>2</sup>	
			Closed	Repeat (09 NFR No.)
ICE	08-01	Untimely Execution of Reimbursable Agreements with Other Governmental Entities When ICE is Performing the Services		ICE 09-01
ICE	08-02	Number not used	Not applicable	
ICE	08-03	Untimely Disbursement of Payments to Vendors and Incorrect Calculation of Interest Due Pursuant to the Prompt Payment Act	X	
ICE	08-04	Obligations are not Being Recorded in FFMS in a Timely Manner		ICE 09-04
ICE	08-05	Number not used	Not applicable	
ICE	08-06	Discrepancies with the Leave Balances Between the NFC Records and STAR Reports are not Being Researched and Resolved Timely		ICE 09-06
ICE	08-07	Lack of Procedures to Verify the Receipt and Acceptance of Goods or Services for IPAC Transactions		ICE 09-07
ICE	08-08	Inadequate and/or Inconsistent Supervisory Review of Payroll Transactions	X	
ICE	08-09	Number not used	Not applicable	
ICE	08-10	Number not used	Not applicable	
ICE	08-11	Improper and Incomplete Preparation of the SF-132 to the SF-133 Reconciliation	X	
ICE	08-12	Receivable Deposits are not Properly Closed for Activity in FFMS	X	
ICE	08-13	GAO Checklist are not Properly Completed	X	
ICE	08-14	Internal Controls over Aged Federal Receivables	X	
ICE	08-15	Lack of Internal Controls – Environmental and Disposal Liability	X	
ICE	08-16	Inadequate Internal Controls over PP&E	X	
ICE	08-17	Completeness of Free-form General Journal Voucher Population	X	
ICE	08-18	Inadequacy/Ineffectiveness of Internal Controls over the Preparation and Review of the Pending/Threatened Litigation Against ICE		ICE 09-18
ICE	08-19	Purchase Card Obligation Estimates	X	
MGT	08-01	Obligations are not Being Keyed into FFMS in a Timely Manner		MGT 09-01
MGT	08-02	Inadequate Internal Controls over PP&E		MGT 09-02
MGT	08-03	Authorization of Travel Transactions	X	
NPPD	08-01	Potential Violation of the Anti-deficiency Act (ADA)		NPPD 09-01
NPPD	08-02	Obligations are not Being Keyed into FFMS in a Timely Manner		NPPD 09-02
NPPD	08-03	Failure to Provide Reasonable Assurance that Internal Controls are Achieving Their Intended Objectives		NPPD 09-03
S&T	08-01	Obligations are not Recorded in FFMS Timely		S&T 09-01

**Department of Homeland Security**  
*Status of Prior Year NFR's*  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>2</sup>	
			Closed	Repeat (09 NFR No.)
S&T	08-02	Number not used	Not applicable	
S&T	08-03	Lack of Internal Controls – Environmental and Disposal Liability	X	
S&T	08-04	Inadequate Internal Controls over PP&E	X	
TSA	08-01	Number not used	Not applicable	
TSA	08-02	Number not used	Not applicable	
TSA	08-03	Number not used	Not applicable	
TSA	08-04	Incorrect Trading Partner Codes		TSA 09-04
TSA	08-05	UDOs Balances		TSA 09-05
TSA	08-06	Number not used	Not applicable	
TSA	08-07	Number not used	Not applicable	
TSA	08-08	Number not used	Not applicable	
TSA	08-09	Financial Reporting Deficiencies		TSA 09-09
TSA	08-10	Required Supplementary Stewardship Information		TSA 09-10
TSA	08-11	Debt Collection Improvement Act (DCIA) Compliance		TSA 09-11
TSA	08-12	Number not used	Not applicable	
TSA	08-13	Noncompliance with FFMIA		TSA 09-13
TSA	08-14	Noncompliance with FMFIA		TSA 09-14
TSA	08-15	Grant Monitoring and Compliance with OMB Circular No. A-133		TSA 09-15
TSA	08-16	Noncompliance with Human Resources Related Laws		TSA 09-16
TSA	08-17	Number not used	Not applicable	
TSA	08-18	Ineffectiveness of Controls over the T&A Process		TSA 09-18
TSA	08-19	Policies and Procedures to Ensure Compliance with GAAP		TSA 09-19
TSA	08-20	Incomplete Listing of Asset Leases	X	
TSA	08-21	Unauthorized Transfer of Assets		TSA 09-21
TSA	08-22	Warehouse Property Impairment		TSA 09-22
TSA	08-23	Policies and Procedures for Evaluating Non-GAAP Policies	X	
TSA	08-24	Review of Journal Vouchers		TSA 09-24
TSA	08-25	SAS 70 Review		TSA 09-25
TSA	08-26	Incorrect Classification of Obligations as Fed or Non-Fed		TSA 09-26
TSA	08-27	Accounts Payable		TSA 09-27
TSA	08-28	Reporting of PP&E		TSA 09-28
TSA	08-29	Entity-Level Controls		TSA 09-29
TSA	08-30	Lease Accounting and Disclosure		TSA 09-30
USCG	08-01	Statement of Net Cost		CG 09-01
USCG	08-02	Contracting Officer Warrant Authority		CG 09-02
USCG	08-04	Accounts Payable Accrual		CG 09-03

**Department of Homeland Security**  
*Status of Prior Year NFR's*  
 September 30, 2009

Component	NFR No.	Description	Disposition <sup>2</sup>	
			Closed	Repeat (09 NFR No.)
USCG	08-04	Purchase Requests/Commitments		CG 09-04
USCG	08-05	Facts and Figures Quick Report Tool	X	
USCG	08-06	Operating Materials and Supplies		CG 09-06
USCG	08-07	Payroll Accrual and Unfunded Leave Accrual		CG 09-07
USCG	08-08	PP&E Construction In Process (CIP)		CG 09-08
USCG	08-09	Actuarial Postemployment Travel Liability		CG 09-09
USCG	08-10	PP&E Repairables		CG 09-10
USCG	08-11	Deepwater Obligations Process	X	
USCG	08-12	Actuarial Medical Liability		CG 09-12
USCG	08-13	Intragovernmental Transactions and Balances		CG 09-13
USCG	08-14	Confidential Financial Disclosure Reports (CFDRs)		CG 09-14
USCG	08-15	Environmental Liability		CG 09-15
USCG	08-16	Actuarial Pension Liability	X	
USCG	08-17	Accounts Receivable		CG 09-17
USCG	08-18	PP&E Asset Records		CG 09-18
USCG	08-19	Undelivered Orders		CG 09-19
USCG	08-20	Cumulative Results of Operations Analysis		CG 09-20
USCG	08-21	Federal Financial Management Improvement Act (FFMIA)		CG 09-21
USCG	08-22	FBwT – Reconciliation/Military and Civilian Payroll Processes		CG 09-22
USCG	08-23	PP&E Non-Construction Nonconstruction In Process (CIP) Assets		CG 09-23
USCG	08-24	Federal Manager Financial Integrity Act		CG 09-24
USCG	08-25	Suspense Accounts		CG 09-25
USCG	08-26	Vessels and Small Boats Useful Lives		CG 09-26
USCG	08-27	Year-end Pipeline Adjustment		CG 09-27
USCG	08-28	Legal Liability Reporting		CG 09-28
USCG	08-29	Financial Management Oversight		CG 09-29
USCG	08-30	Financial Statement Disclosures		CG 09-30
USCG	08-31	Financial Reporting Process		CG 09-31
USCG	08-32	Segregation of Duties Weakness – Person Entering Applicant Data into Direct Access May Be the Same Person Hiring the Applicant	X	
OHA	08-01	Accounting for UDOs and Management Review		OHA 09-01

<sup>2</sup> KPMG was engaged to perform an audit over the DHS balance sheet and statement of custodial activity as of and for the year ended September 30, 2009, and was not engaged to perform an audit over the statement of net cost, statement of changes in net position, and statement of budgetary resources for the year ended September 30, 2009. In addition, we were engaged to perform follow-up on the status of all active NFRs that supported significant deficiencies reported in KPMG's *Independent Auditors' Report* dated November 14, 2008.




**Department of Homeland Security**  
*Management Response to the Draft  
Management Letter*

U.S. Department of Homeland Security  
Washington, DC 20528



January 22, 2010

**MEMORANDUM FOR:** Anne Richards  
Assistant Inspector General for Audits

**FROM:**   
Larry J. Bedker  
Director, DHS Office of Financial Management

**SUBJECT:** Draft Management Letter for the FY 2009 DHS Financial  
Statements and Internal Control over Financial Reporting  
Audit

Thank you for the opportunity to comment on the Draft Management Letter for the FY 2009 DHS Financial Statements and Internal Control over Financial Reporting Audit. We concur with the report's recommendations and remain fully committed to addressing our outstanding financial management challenges. We appreciate your office's contributions and insights, and we look forward to working with you as we implement our corrective actions and the *DHS Financial Accountability Act*.

## **Report Distribution**

---

### **Department of Homeland Security**

Secretary  
Deputy Secretary  
Chief of Staff for Operations  
Chief of Staff for Policy  
Deputy Chiefs of Staff  
General Counsel  
Executive Secretariat  
Director, GAO/OIG Liaison Office  
Assistant Secretary for Office of Policy  
Assistant Secretary for Office of Public Affairs  
Assistant Secretary for Office of Legislative Affairs  
Chief Financial Officer  
Chief Information Officer

### **Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Budget Examiner

### **Congress**

Congressional Oversight and Appropriations Committees, as appropriate



#### ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this report, please call the Office of Inspector General (OIG) at (202) 254-4100, fax your request to (202) 254-4305, or visit the OIG web site at [www.dhs.gov/oig](http://www.dhs.gov/oig).

#### OIG HOTLINE

To report alleged fraud, waste, abuse or mismanagement, or any other kind of criminal or noncriminal misconduct relative to department programs or operations:

- Call our Hotline at 1-800-323-8603;
- Fax the complaint directly to us at (202) 254-4292;
- Email us at [DHSOIGHOTLINE@dhs.gov](mailto:DHSOIGHOTLINE@dhs.gov); or
- Write to us at:  
DHS Office of Inspector General/MAIL STOP 2600,  
Attention: Office of Investigations - Hotline,  
245 Murray Drive, SW, Building 410,  
Washington, DC 20528.

The OIG seeks to protect the identity of each writer and caller.