

**OFFICE OF INSPECTOR GENERAL**

**National Protection and  
Programs Directorate's  
Management Letter for DHS'  
FY 2014 Financial Statements  
Audit**



Homeland  
Security

**April 21, 2015**  
**OIG-15-74**



# HIGHLIGHTS

## *National Protection and Programs Directorate's Management Letter for DHS' FY 2014 Financial Statements Audit*

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**April 21, 2015**

### **Why We Did This**

The Federal Government has a fundamental responsibility to be an effective steward of taxpayers' dollars. Sound financial practices and related management operations, reliable financial systems, and effective internal control are essential for reliable, timely financial information that supports management decision making needed to achieve the Department of Homeland Security's (DHS) mission.

#### **For Further Information:**

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

### **What We Found**

KPMG LLP reviewed the National Protection and Programs Directorate's (NPPD) internal control over financial reporting. The management letter contains five observations related to internal control and other operational matters for management's considerations.

KPMG LLP noted deficiencies and the need for improvement in certain NPPD processes. These deficiencies did not meet the criteria to be reported in the *Independent Auditors' Report on DHS' FY 2014 Financial Statements and Internal Control over Financial Reporting*, dated November 14, 2014, included in DHS' fiscal year 2014 *Agency Financial Report*. These observations are intended to improve internal control or result in other operating efficiencies.



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

APR 21 2015

MEMORANDUM FOR: Dave Hill  
Acting Director, Budget and Financial Administration  
National Protection and Programs Directorate

FROM: Mark Bell *Mark Bell*  
Assistant Inspector General for Audits

SUBJECT: *National Protection and Programs Directorate's  
Management Letter for DHS' FY 2014 Financial  
Statements Audit*

Attached for your information is our final report, *National Protection and Programs Directorate's Management Letter for DHS' FY 2014 Financial Statements Audit*. This report contains observations related to internal control deficiencies that were not required to be reported in the *Independent Auditors' Report on DHS' FY 2014 Financial Statements and Internal Control over Financial Reporting*. Internal control deficiencies which are considered significant deficiencies were reported, as required, in the *Independent Auditors' Report*, dated November 14, 2014, which was included in the Department of Homeland Security (DHS) fiscal year (FY) 2014 *Agency Financial Report*. We do not require management's response to the recommendations.

The independent public accounting firm KPMG LLP conducted the audit of DHS' FY 2014 financial statements and is responsible for the attached management letter and the conclusions expressed in it.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Paul Wood, Acting Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

December 8, 2014

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

Ladies and Gentlemen:

In planning and performing our audit of the consolidated financial statements of the U.S. Department of Homeland Security (DHS or Department), as of and for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements. In conjunction with our audit of the consolidated financial statements, we also performed an audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The National Protection and Programs Directorate (NPPD) is a component of DHS. During our audit we noted certain matters involving internal control and other operational matters, related to NPPD, that are presented for your consideration. 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 matters are summarized in the Table of Financial Management Comments on the following pages. The disposition of each internal control deficiency identified during our FY 2014 audit – as either reported in our *Independent Auditors' Report*, or herein as a financial management letter comment – is presented in Appendix A.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and on the effectiveness of internal control over financial reporting, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of NPPD's 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.

The purpose of this letter is solely to describe comments and recommendations intended to improve internal control or result in other operating efficiencies. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

**KPMG LLP**

National Protection and Programs Directorate  
*Table of Financial Management Comments*  
September 30, 2014

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

<b>Comment Reference</b>	<b>Subject</b>	<b>Page</b>
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FMC 14-02	Time and Attendance	2
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FMC 14-05	Travel Expense Authorization and Approval	3

**APPENDIX**

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National Protection and Programs Directorate  
*Financial Management Comments*  
September 30, 2014

**FMC 14-01 – Approval of Personnel Actions (*Notice of Finding and Recommendation (NFR) No. National Protection and Programs Directorate (NPPD) 14-01*)**

NPPD lacked appropriate policies and procedures to verify that employee data processed for new hires was accurately entered into EmpowHR prior to submission to the National Finance Center.

*Recommendation:*

We recommend that NPPD complete second level reviews of actions prior to submission to the National Finance Center for processing.

**FMC 14-02 – Time and Attendance (*NFR No. NPPD 14-02*)**

The supervisory review controls over employee timesheets was not operating effectively to verify that the hours reflected on the timesheet were accurate. Specifically we noted the following:

- Supporting documentation was not available to evidence leave approval when request was not processed within the WebTA system.
- Timesheets were approved by individuals who were not included on the listing of personnel with the supervisory role in WebTA. Documentation as to why these individuals were not included on the listing was not readily available.

*Recommendations:*

We recommend NPPD:

- Provide guidance to supervisors and/or approved certifiers of timecards on the importance of ensuring documentation of approval is available prior to certifying timecards.
- Ensure documentation is available when individuals on the list of approved certifiers are unavailable to approve timesheets and other individuals have been authorized to certify timecards.

**FMC 14-03 – Federal Financial Management System (FFMS) to PRISM Reconciliation (*NFR No. NPPD 14-03*)**

Policies and procedures were drafted by the NPPD and placed into operation throughout the fiscal year; however, the formal Standard Operating Procedure was not formally issued to the organization.

*Recommendation:*

We recommend that NPPD sign and formally issue the Standard Operating Procedure.

National Protection and Programs Directorate  
*Financial Management Comments*  
September 30, 2014

**FMC 14-04 – Financial Reporting – General Journal Entry (NFR No. NPPD 14-09)**

Preparation and review of journal entries were not designed at a level of precision to prevent improper posting of manual Journal entries. We inspected the manual journal entry populations for U.S. Immigration and Customs Enforcement (ICE), Management Directorate, and NPPD, noting a number of correcting entries to previously posted entries. Additionally, we noted that for some entries supporting documentation and back-up for the journal entry was not sufficient to fully support and explain the purpose and/or need for the entry.

*Recommendations:*

We recommend that ICE, as NPPD's service provider, review the current documented general journal process and ensure proper controls are in place and adhered to.

**FMC 14-05 – Travel Expense Authorization and Approval (NFR No. NPPD 14-10)**

Controls were not operating effectively to ensure that employee travel was authorized timely; we noted two instances where travel was not authorized prior to travel dates.

*Recommendation:*

We recommend that NPPD improve the processes of reviewing and approving travel authorizations to ensure gross costs are recorded in the general ledger appropriately.

National Protection and Programs Directorate  
 Crosswalk - Financial Management Comments to Active NFRs  
 September 30, 2014

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
NPPD	14-01	Approval of Personnel Actions				14-01
NPPD	14-02	Time and Attendance				14-02
NPPD	14-03	FFMS to PRISM Reconciliation				14-03
NPPD	14-04	General Property, Plant, and Equipment Controls	A			
NPPD	14-05	Overapportionment of Funds and Untimely Recording of Apportionments to the General Ledger	D			
NPPD	14-06	Property Prior Period Adjustments	A			
NPPD	14-07	Apportionments	D			
NPPD	14-08	Invoice Receipt	B,D			
NPPD	14-09	Financial Reporting – General Journal Entry				14-04
NPPD	14-10	Travel Expense Authorization and Approval				14-05
NPPD	14-11	Anti-Deficiency Act			J	
NPPD	14-12	Financial Reporting	A,B	E		
NPPD	14-13	Undelivered Orders	D			

<sup>1</sup>Disposition Legend:

IAR Independent Auditors' Report dated November 13, 2014

FMC Financial Management Comment

MW Contributed to a Material Weakness at the Department level when combined with the results of all other components

SD Contributed to a Significant Deficiency at the Department level when combined with the results of all other components

NC Contributed to Non-Compliance with laws, regulations, contracts, and grant agreements at the Department level when combined with the results of all other components

NFR Notice of Finding and Recommendation

Cross-reference to the applicable sections of the IAR:

A Financial Reporting

B Information Technology Controls and Financial Systems Functionality

C Property, Plant, and Equipment

D Budgetary Accounting

E Entity-Level Controls

F Grants Management

G Custodial Revenue and Drawback

H *Federal Managers' Financial Integrity Act of 1982 (FMFIA)*

National Protection and Programs Directorate  
*Crosswalk - Financial Management Comments to Active NFRs*  
*September 30, 2014*

- I *Single Audit Act Amendments of 1996*
- J *Antideficiency Act, as amended (ADA)*
- K *Federal Financial Management Improvement Act of 1996 (FFMIA)*



## **Appendix A**

### **Report Distribution**

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