

OFFICE OF INSPECTOR GENERAL

Domestic Nuclear Detection Office's Management Letter for DHS' FY 2015 Financial Statements Audit



Homeland
Security

April 5, 2016
OIG-16-57



DHS OIG HIGHLIGHTS

Domestic Nuclear Detection Office's Management Letter for DHS' FY 2015 Financial Statements Audit

April 5, 2016

Why We Did This Audit

The *Chief Financial Officers Act of 1990* (Public Law 101-576) and the *Department Of Homeland Security Financial Accountability Act* (Public Law 108-330) require us to conduct an annual audit of the Department of Homeland Security's (DHS) consolidated financial statements and internal control over financial reporting.

For Further Information:

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

What We Found

KPMG LLP, under contract with the DHS Office of Inspector General, audited the Domestic Nuclear Detection Office's (DNDO) financial statements and internal control over financial reporting for fiscal year (FY) 2015. The management letter contains one observation related to internal controls and other operational matters for management's consideration. KPMG LLP noted an internal control deficiency and the need for improvement in the undelivered order process. The deficiency is not considered significant and was not required to be reported in the *Independent Auditors' Report on DHS' FY 2015 Financial Statements and Internal Control over Financial Reporting*, dated November 13, 2015, included in the DHS FY 2015 *Agency Financial Report*. This observation is 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

APR 5 2016

MEMORANDUM FOR: Patrick Moore
Chief Financial Officer
Domestic Nuclear Detection Office

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

SUBJECT: *Domestic Nuclear Detection Office's Management Letter
for DHS' FY 2015 Financial Statements Audit*

Attached for your information is our final report, *Domestic Nuclear Detection Office's Management Letter for DHS' FY 2015 Financial Statements Audit*. This report contains an observation related to an internal control deficiency that was not required to be reported in our *Independent Auditors' Report on DHS' FY 2015 Financial Statements and Internal Control over Financial Reporting*, dated November 13, 2015, which was included in the Department of Homeland Security's (DHS) fiscal year (FY) 2015 *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 2015 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 appropriate 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 Maureen Duddy, Deputy Assistant Inspector General for Audits, at (617) 565-8723.

Attachment



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

December 18, 2015

Office of Inspector General,
U.S. Department of Homeland Security, and
Chief Financial Officer
U.S. Department of Homeland Security, Domestic Nuclear Detection Office
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, 2015, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *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 financial statements. In conjunction with our audit of the general purpose 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 Domestic Nuclear Detection Office (DNDO) is a component of DHS. During our audit we noted certain matters involving internal control and other operational matters, related to DNDO, 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. The disposition of each internal control deficiency identified during our FY 2015 audits – 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 DNDO'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

Domestic Nuclear Detection Office
Table of Financial Management Comments
September 30, 2015

TABLE OF FINANCIAL MANAGEMENT COMMENTS (FMC)

Comment Reference	Subject	Page
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APPENDIX

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Domestic Nuclear Detection Office
Financial Management Comments
September 30, 2015

FMC 15-01 – Undelivered Orders Population Provided for Audit (NFR No. DNDO 15-01)

Controls were not operating effectively to ensure the detail of obligation balances, provided for audit purposes, were complete and accurate. Specifically, we noted one instance in which an obligation balance was incorrectly presented as part of the current balances of undelivered orders.

Recommendation:

We recommend that DNDO strengthen controls to ensure that obligation balance populations provided for audit purposes are complete and accurate.

Domestic Nuclear Detection Office
Crosswalk – Financial Management Comments to Active NFRs
 September 30, 2015

Component	NFR No.	Description	Disposition			
			IAR			FMC
			MW	SD	NC	No.
DNDO	15-01	Undelivered Orders Population Provided for Audit				15-01

¹Disposition Legend:

IAR	Independent Auditors' Report dated November 13, 2015
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 System Functionality
C	Property, Plant, and Equipment
D	Budgetary Accounting
E	Entity-Level Controls
F	Grants Management
G	Custodial Revenue and Refunds and Drawback
H	<i>Federal Managers' Financial Integrity Act of 1982 (FMFIA)</i>
I	<i>Single Audit Act Amendments of 1996</i>
J	<i>Antideficiency Act, as amended (ADA)</i>
K	<i>Federal Financial Management Improvement Act of 1996 (FFMIA)</i>



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
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Domestic Nuclear Detection Office

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To view this and any of our other reports, please visit our website at: www.oig.dhs.gov.

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