

**Federal Law Enforcement
Training Centers' Management
Letter for DHS' FY 2015
Financial Statements Audit**





DHS OIG HIGHLIGHTS

Federal Law Enforcement Training Centers' Management Letter for DHS' FY 2015 Financial Statements Audit

April 27, 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 Federal Law Enforcement Training Centers' financial statements and internal control over financial reporting for fiscal year (FY) 2015. The resulting management letter contains four observations related to internal controls and other operational matters for management's consideration. KPMG LLP noted internal control deficiencies and the need for improvement in several processes including journal voucher postings; contract management over reimbursable agreements; and accounts payable accrual. These deficiencies are not considered significant and were 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*. 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

APR 27 2016

MEMORANDUM FOR: Donald Lewis
Chief Financial Officer
Federal Law Enforcement Training Centers

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

SUBJECT: *Federal Law Enforcement Training Centers'
Management Letter for DHS' FY 2015 Financial
Statements Audit*

Attached for your action is our final report, *Federal Law Enforcement Training Centers' Management Letter for DHS' FY 2015 Financial Statements Audit*. This report contains four observations related to internal control deficiencies that were 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 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, Federal Law Enforcement Training Centers
Washington, DC

Ladies and Gentlemen:

In planning and performing our audit of the consolidated general purpose and closing package financial statements (hereinafter referred to as the “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 Federal Law Enforcement Training Centers (FLETC) is a component of DHS. During our audit we noted certain matters involving internal control and other operational matters, related to FLETC, 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 findings related to information technology systems have been presented in a separate letter to the DHS Office of Inspector General, FLETC Chief Information Officer and FLETC Chief Financial Officer.

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 FLETC’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

Federal Law Enforcement Training Centers
Table of Financial Management Comments
September 30, 2015

TABLE OF FINANCIAL MANAGEMENT COMMENTS (FMC)

Comment Reference	Subject	Page
FMC 15-01	Lack of Segregation of Duties over Standard Journal Voucher Postings	2
FMC 15-02	Untimely and Incomplete Submission of Employee Indoctrination Record	2
FMC 15-03	Improper Contract Management over Reimbursable Agreements	2
FMC 15-04	Accounts Payable Accrual	3

APPENDIX

Appendix	Subject	Page
A	Crosswalk – Financial Management Comments to Active Notices of Finding and Recommendation (NFRs)	4

Federal Law Enforcement Training Centers
Financial Management Comments
September 30, 2015

FMC 15-01 – Lack of Segregation of Duties over Standard Journal Voucher Postings (NFR No. FLETC 15-01)

During interim testing over a sample of 45 standard journal vouchers, we identified three instances where the standard journal voucher coversheet did not have a reviewer signature. Additionally, we noted that the same individual prepared and approved the journal voucher within the financial system.

We noted that although the financial system permits the creation and posting of journal vouchers by the same supervisor/Branch Chief, FLETC's policy dictates that a hard copy journal voucher must be reviewed and approved by different individuals. For the exceptions noted above, the hard copy was not reviewed.

Recommendations:

We recommend that FLETC reassess its current procedures for journal vouchers and strengthen its processing control by implementing use of electronic standard journal voucher form with digital signatures by preparers and approvers prior to posting in the financial system. We also recommend a monthly verification of all standard journal voucher transactions recorded in the financial system during the accounting period by a staff accountant to ensure the transactions are substantiated by properly approved/digitally signed electronic standard journal voucher forms.

FMC 15-02 – Untimely and Incomplete Submission of Employee Indoctrination Record (NFR No. FLETC 15-02)

During interim testing over a sample of 15 new employees, we noted the following:

- One instance in which the employee was hired in October 2014, but the Supervisory Indoctrination Record was not completed until September 2015.
- One instance in which the employee did not sign the Supervisory Indoctrination Record.

Recommendation:

We recommend that the FLETC implement an additional control to ensure all Supervisory Indoctrination Records are returned to the Human Capital Office (HCO) in a timely manner by separately tracking the forms. If one is not received within two weeks of the employee entry on duty, HCO should follow up with the immediate supervisor. If there is no response, HCO should contact the next level supervisor and continue to follow up until the completed Supervisory Indoctrination Record form is received.

FMC 15-03 – Improper Contract Management over Reimbursable Agreements (NFR No. FLETC 15-04)

We noted that although FLETC and DHS policy requires an approved agreement, in practice FLETC does not require an approved reimbursable agreement to be in place prior to incurring or billing costs against an agreement. Additionally, FLETC inputs a placeholder reimbursable agreement number into the financial system to allow costs to be billed until a reimbursable agreement is created and signed.

Federal Law Enforcement Training Centers
Financial Management Comments
September 30, 2015

Recommendations:

We recommend that FLETC develop and distribute reimbursable agreements to its Partner Organizations for the upcoming fiscal year based on training estimates on hand during the fourth quarter. These agreements should be executed subject to availability of funds, and then modified to add funding and finalize reimbursable amounts as information/funding becomes available. FLETC should further take a more aggressive stance in obtaining signed agreements back from its Partner Organizations.

FMC 15-04 – Accounts Payable Accrual (*NFR No. FLETC 15-05*)

We noted that during FY 2015, FLETC incurred approximately \$25 million of operating expenses related to the National Bio and Agro-Defense Facility (NBAF) obligations. We performed an analysis comparing the total expenses related to NBAF obligations against the undelivered order balance for NBAF agreements as of September 30, 2015. As a result of this analysis, we determined that the accrual amount related to NBAF undelivered order balances should have been approximately \$25 million; however FLETC accrued approximately \$37 million. We also noted FLETC performed a look-back analysis on the FY 2014 accrual when preparing the FY 2015 accrual. Based on the results of the look-back, we noted the accrual was overstated by approximately \$10 million in FY 2014.

Recommendation:

We recommend FLETC continue to use its accounts payable accrual methodology and appropriate adjust accrual estimates for known extraordinary, non-routine financial events.

Federal Law Enforcement Training Centers
Crosswalk – Financial Management Comments to Active NFRs
 September 30, 2015

Component	NFR No.	Description	Disposition			
			IAR			FMC
			MW	SD	NC	No.
FLETC	15-01	Lack of Segregation of Duties over Standard Journal Voucher Postings				15-01
FLETC	15-02	Untimely and Incomplete Submission of Employee Indoctrination Record				15-02
FLETC	15-03	Invalid and Inaccurate Undelivered Orders		D		
FLETC	15-04	Improper Contract Management over Reimbursable Agreements				15-03
FLETC	15-05	Accounts Payable Accrual				15-04

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

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Appendix B

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