



# **BUREAU OF ALCOHOL, TOBACCO, FIREARMS AND EXPLOSIVES ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2010**

U.S. Department of Justice  
Office of the Inspector General  
Audit Division

Audit Report 11-13  
January 2011



**BUREAU OF ALCOHOL, TOBACCO,  
FIREARMS AND EXPLOSIVES  
ANNUAL FINANCIAL STATEMENTS  
FISCAL YEAR 2010**

**OFFICE OF THE INSPECTOR GENERAL  
COMMENTARY AND SUMMARY**

This audit report contains the Annual Financial Statements of the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) for the fiscal years (FY) ended September 30, 2010, and September 30, 2009. Under the direction of the Office of the Inspector General (OIG), Cotton & Company LLP performed the audit in accordance with U.S. generally accepted auditing standards. The audit resulted in an unqualified opinion on the FY 2010 financial statements. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in conformity with U.S. generally accepted accounting principles. The FY 2009 financial statements audit was performed by KPMG LLP and also received an unqualified opinion (OIG Report No. 10-13).

Cotton & Company LLP also issued reports on internal control and on compliance and other matters. For FY 2010, the *Independent Auditors' Report on Internal Control over Financial Reporting* identified one significant deficiency. The significant deficiency related to inadequate funds management controls. Specifically, ATF needs to improve its internal controls to ensure that undelivered orders are valid, accounts payable transactions are calculated correctly, and related account balances are accurate and complete. In the FY 2010 *Independent Auditors' Report on Compliance and Other Matters*, the auditors identified no instances of non-compliance with applicable laws and regulations and the *Federal Financial Management Improvement Act of 1996*.

The OIG reviewed Cotton & Company LLP's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Department's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the Department's financial management systems substantially complied with the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance with laws and regulations. Cotton & Company LLP is responsible for the attached auditors' reports dated

November 2, 2010, and the conclusions expressed in the reports. However, our review disclosed no instances where Cotton & Company LLP did not comply, in all material respects, with U.S. generally accepted government auditing standards.