

# Department of Homeland Security **Office of Inspector General**

Federal Law Enforcement Training Center's  
Management Letter for FY 2012 DHS Consolidated  
Financial Statements Audit






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

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

APR 3 2013

MEMORANDUM FOR: Donald R. Lewis  
Assistant Director for CFO Directorate  
Federal Law Enforcement Training Center

FROM: Anne L. Richards   
Assistant Inspector General for Audits

SUBJECT: *Federal Law Enforcement Training Center's Management Letter for FY 2012 DHS Consolidated Financial Statements Audit*

Attached for your information is our final report, *Federal Law Enforcement Training Center's Management Letter for FY 2012 DHS Consolidated 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 2012 Financial Statements and Internal Control over Financial Reporting*. Internal control deficiencies that are considered significant deficiencies were reported, as required, in the *Independent Auditors' Report*, dated November 14, 2012, which was included in DHS' FY 2012 *Annual 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 2012 financial statements and is responsible for the attached management letter dated March 12, 2013, and conclusions expressed in it. We do not express opinions on DHS' financial statements or internal control, nor do we provide conclusions on compliance with laws and regulations.

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

Attachment



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

March 12, 2013

Office of Inspector General  
U.S. Department of Homeland Security, and  
Chief Financial Officer,  
U.S. Department of Homeland Security Federal Law Enforcement Training Center  
Washington, DC

Ladies and Gentlemen:

We have audited the balance sheet of the U.S. Department of Homeland Security (DHS or Department) as of September 30, 2012 and the related statements of net cost, changes in net position and custodial activity, and combined statement of budgetary resources for the year then ended (referred to herein as the “fiscal year (FY) 2012 financial statements”). The objective of our audit was to express an opinion on the fair presentation of these financial statements. We were also engaged to examine the Department’s internal control over financial reporting of the FY 2012 financial statements, based on the criteria established in Office of Management and Budget (OMB), Circular No. A-123, *Management’s Responsibility for Internal Control*, Appendix A.

Our *Independent Auditors’ Report*, issued on November 14, 2012, describes a limitation on the scope of our audit that prevented us from performing all procedures necessary to express an unqualified opinion on the DHS’ FY 2012 financial statements and internal control over financial reporting. In addition, the FY 2012 DHS *Secretary’s Assurance Statement* states that the Department was able to provide qualified assurance that internal control over financial reporting was operating effectively at September 30, 2012. We have not considered internal control since the date of our *Independent Auditors’ Report*.

In accordance with *Government Auditing Standards*, our *Independent Auditors’ Report*, referred to in the paragraph above, included internal control deficiencies identified during our audit, that individually, or in aggregate, represented a material weakness or a significant deficiency.

The Federal Law Enforcement Center (FLETC) is a component of DHS. We noted certain matters, related to FLETC, that are summarized in the Table of Financial Management Comments on the following pages, involving internal control and other operational matters that are less severe than a material weakness or a significant deficiency, and consequently are reported separately to the Office of Inspector General (OIG) and FLETC management in 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. The disposition of each internal control deficiency identified during our FY 2012 audit – as either reported in our *Independent Auditors’ Report*, or herein – is presented in Appendix A. The status of internal control deficiencies identified during our FY 2011 audit is presented in Appendix B. Our findings related to information technology systems security have been presented in a separate letter to the OIG and the FLETC Chief Information Officer.

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 the DHS’ and FLETC’s management, the DHS OIG, the U.S. OMB, 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**

Federal Law Enforcement Training Center  
*Table of Financial Management Comments*  
September 30, 2012

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

<b>Comment Reference</b>	<b>Subject</b>	<b>Page</b>
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FMC 12-02	Deficiencies in the Review of Standard Form (SF)-50s	2

**APPENDIX**

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B	Status of Prior Year NFRs	4

**FMC 12-01 – Deficiencies in the Financial Disclosure Reporting Process (NFR No. FLETC 12-01)**

During testwork over a sample of three employees who filed Office of Government Ethics (OGE) Form 278, Executive Branch Personnel Public Financial Disclosure Reports, and three employees who filed OGE Form 450, Confidential Financial Disclosure Report, in FY 2012, the following deficiencies were identified:

- One incumbent employee's OGE Form 278 was not signed and dated by the reviewing official. (We noted evidence of review on the hard copy document, but the electronic signature was not included on the form.)
- Two incumbent employees' OGE Form 450s were not signed and dated by the reviewing official in a timely manner. Evidence that initial review and request for additional information within 60 days of filing was not provided. The time period between the initial review, submission of the required information by the filers and the final signature of the ethics official was approximately six months.

*Recommendations:*

We recommend that Federal Law Enforcement Training Center (FLETC):

- Revise its internal process to require that the reviewing attorney annotate in the comment section the date of the initial review and the due date for the requested information.
- Initiate a more formal process for requesting the additional information as well as a suspense system for the files for which additional information was requested.

**FMC 12-02 – Deficiencies in the Review of Standard Form (SF)-50s (NFR No. FLETC 12-03)**

During our payroll testwork, we identified two employees for which we were unable to recalculate their benefit contribution amounts and noted multiple instances where we could not obtain adequate documentation for these two sample items.

*Recommendations:*

We recommend that FLETC:

- Ensure that staff is aware of Federal Employees' Group Life Insurance coverage eligibility and provide periodic training on the necessary requirements.
- Maintain all benefit forms in an accessible place to ensure that benefit forms are available upon request and that the employee's elections are up to date.

Federal Law Enforcement Training Center  
*Crosswalk – Financial Management Comments to Active NFRs*  
 September 30, 2012

NFR No.	Description	Disposition <sup>1</sup>			
		IAR			FMC
		MW	SD	NC	No.
12-01	Deficiencies in the Financial Disclosure Reporting Process				12-01
12-02	Beginning Balance Unfilled Customer Order (UCO) Errors	E			
12-03	Deficiencies in the Review of Standard Form (SF)-50s				12-02

<sup>1</sup>Disposition Legend:

IAR Independent Auditors' Report dated November 14, 2012

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 System Functionality

C Property, Plant, and Equipment

D Environmental and Other Liabilities

E Budgetary Accounting

F Entity-Level Controls

G Grants Management

H Custodial Revenue and Drawback

I *Federal Managers' Financial Integrity Act of 1982 (FMFIA)*J *Federal Financial Management Improvement Act of 1996 (FFMIA)*K *Single Audit Act Amendments of 1996*L *Antideficiency Act, as amended (ADA)*

Federal Law Enforcement Training Center  
*Status of Prior Year NFRs*  
 September 30, 2012

NFR No.	Description	Disposition <sup>1</sup>	
		Closed <sup>2</sup>	Repeat (2011 NFR No.)
11-01	Capitalization of Property Plant and Equipment (PP&E)	X	

<sup>1</sup> KPMG was engaged to perform an audit over the DHS balance sheet as of September 30, 2012, and the related statements of net cost, changes in net position and custodial activity, and combined statement of budgetary resources for the year then ended. In addition, we were engaged to follow up on the status of all active NFRs that supported significant deficiencies reported in our FY 2011 *Independent Auditors' Report*.

<sup>2</sup> The scope of our audit was limited to follow-up on NFRs that supported a material weakness or significant deficiency as reported in our *Independent Auditors' Report*. All other NFRs, e.g., that described insignificant findings, and therefore presented to DHS management as observations for consideration, were considered closed.



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

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Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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