

**Federal Law Enforcement Training
Centers' Management Letter for
DHS' FY 2014 Financial Statements
Audit**





HIGHLIGHTS

Federal Law Enforcement Training Centers' Management Letter for DHS' FY 2014 Financial Statements Audit

April 29, 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

What We Found

KPMG LLP reviewed the Federal Law Enforcement Training Centers' (FLETC) 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 FLETC 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

APR 29 2015

MEMORANDUM FOR: Donald R. 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 2014 Financial
Statements Audit*

Attached for your information is our final report, *Federal Law Enforcement Training Centers' 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 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 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, Federal Law Enforcement Training Centers
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 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 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 findings related to information technology systems have been presented in a separate letter to the DHS Office of Inspector General, the FLETC Chief Information Officer and 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, 2014

TABLE OF FINANCIAL MANAGEMENT COMMENTS (FMC)

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FMC 14-01 – Invalid and Inaccurate Undelivered Orders (*Notice of Finding and Recommendation (NFR) No. Federal Law Enforcement Training Centers (FLETC) 14-01*)

We determined controls over the quarterly undelivered order verification and validation analysis were not operating effectively as of June 30, 2014 based on the following:

- During testwork over a statistical sample of three items from the inactive population (those with no activity within the last twelve months), we determined that two of the “inactive” items were incorrectly categorized by management on the verification and validation analysis. One item was incorrectly categorized as a “Status 1” and the other item was incorrectly categorized as a “Status 1” or a “Status 2” rather than a “Status 3” or “Status 4” as both items had expired periods of performance and no activity on the obligations.

Recommendation:

We recommend that FLETC Finance Division work with the FLETC Procurement Office and end-users during the review of undelivered orders to ensure undelivered orders are properly coded and categorized in the quarterly undelivered order verification and validation report.

FMC 14-02 – Lack of Effective Controls over Asset Additions (*NFR No. FLETC 14-02*)

During testwork over a sample of six fixed asset additions for the period October 1, 2013 through June 30, 2014, we identified one sample item where the final payment related to the construction in progress project was not properly included in the value of the final asset, which had been placed in service. The expense related to the final payment was identified in the June general ledger account 1720 review; however, as of August 27, 2014 no actions had been taken to include the final payment amount as a betterment to the final asset. Total payments made related to the asset were \$11.062 million, but the asset value was only recorded as \$11.053 million.

Recommendation:

We recommend that FLETC continue adherence to its formalized policies and procedures for property, plant, and equipment capitalization to ensure assets are capitalized timely.

FMC 14-03 – Untimely Reimbursable Agreements / Abnormal Balances (*NFR No. FLETC 14-03*)

During our review of the trial balances and DHS Treasury Information Executive Repository analytic reports as of June 30, 2014, we noted in Treasury Account Fund Symbol 703/70510, general ledger account 4610, Allotments – Realized Resources, had an abnormal balance of approximately \$13 million.

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Recommendation:

We recommend that the FLETC implement a formalized procedure to ensure that multi-year reimbursable construction funds carryover budget authorities which have been apportioned by the Office of Management and Budget are promptly apportioned, allotted and recorded in the financial system.

FMC 14-04 – Incorrect Trading Partner Coding (NFR No. FLETC 14-04)

During substantive testing of unfilled customer order activity for the period of October 1, 2013 to September 30, 2014, we noted one credit sample out of four that had the incorrect trading partner associated with the vendor. The U.S. Capital Police, trading partner 02, was incorrectly configured to trading partner 03, which is the Library of Congress.

Recommendation:

We recommend FLETC implement the internal system controls available within the Momentum 7.1.2 financial system to ensure vendor agency and bureau information remains current and accurate.

FMC 14-05 – Non-Compliance with Financial Disclosure Filing Requirements (NFR No. FLETC 14-05)

During test work over financial disclosure reports at the headquarters Office of Ethics, we identified the following exception:

- For one of three Office of Government Ethics (OGE) 278 forms tested, the filer did not submit the financial disclosure form on time in accordance with the OGE filing requirements. Additionally, the form was not submitted within the 30 day grace period.

Recommendation:

We recommend that FLETC continue to follow its formalized procedures for processing financial disclosure forms in accordance with the Code of Federal Regulations by monitoring the completion of these forms in a timely manner, and to ensure that the policy includes guidance on unique or unusual circumstances for the completion of these forms.

Federal Law Enforcement Training Centers
 Crosswalk – Financial Management Comments to Active NFRs
 September 30, 2014

Component	NFR No.	Description	Disposition ¹			
			IAR			FMC
			MW	SD	NC	No.
FLETC	14-01	Invalid and Inaccurate Undelivered Orders				14-01
FLETC	14-02	Lack of Effective Controls over Asset Additions				14-02
FLETC	14-03	Untimely Reimbursable Agreements / Abnormal Balances				14-03
FLETC	14-04	Incorrect Trading Partner Coding				14-04
FLETC	14-05	Non-Compliance with Financial Disclosure Filing Requirements				14-05

¹Disposition 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)*

I *Single Audit Act Amendments of 1996*

J *Antideficiency Act, as amended (ADA)*

K *Federal Financial Management Improvement Act of 1996 (FFMIA)*



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Department of Homeland Security

Appendix B **Report Distribution**

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