

**Federal Law
Enforcement Training
Centers' Management
Letter for DHS' Fiscal
Year 2016 Financial
Statements Audit**





DHS OIG HIGHLIGHTS

Federal Law Enforcement Training Centers' Management Letter for DHS' Fiscal Year 2016 Financial Statements Audit

June 13, 2017

Why We Did This Report

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.

During the fiscal year (FY) 2016 audit of DHS' consolidated financial statements and internal control over financial reporting, KPMG LLP noted certain matters involving the Federal Law Enforcement Training Centers' internal control and other operational matters, which are presented in this report for management's consideration.

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' (FLETC) financial statements and internal control over financial reporting for FY 2016. The resulting management letter contains three observations related to internal controls and other operational matters for management's consideration. KPMG LLP noted internal control deficiencies across multiple processes including financial system reconciliation; review and approval of intra-governmental payment and collection expenses; and improper allocation of gross costs on the Statement of Net Cost and footnote. The deficiencies are not considered significant and were not required to be reported in the *Independent Auditors' Report on DHS' FY 2016 Financial Statements and Internal Control over Financial Reporting*, dated November 14, 2016, included in the DHS FY 2016 *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

June 13, 2017

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

FROM: John V. Kelly 
Deputy Inspector General

SUBJECT: *Federal Law Enforcement Training Centers'
Management Letter for DHS' Fiscal Year 2016
Financial Statements Audit*

Attached for your action is our final report, *Federal Law Enforcement Training Centers' Management Letter for DHS' Fiscal Year 2016 Financial Statements Audit*. This report contains three observations related to internal control deficiencies that were not required to be reported in our *Independent Auditors' Report on DHS' FY 2016 Financial Statements and Internal Control over Financial Reporting*, dated November 14, 2016, which was included in the Department of Homeland Security's (DHS) fiscal year (FY) 2016 *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 2016 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 8, 2016

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:

We planned and performed our audit of the consolidated 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, 2016, 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. 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 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 standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the internal control requirements included in OMB Bulletin No. 15-02.

During our audits we noted certain matters involving the Federal Law Enforcement Training Centers' (FLETC) internal control and other operational matters 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 observations and recommendations are summarized in Exhibit I of this letter and are not considered significant deficiencies or material weaknesses in internal control over financial reporting. Significant deficiencies and material weaknesses in internal control over financial reporting have been previously communicated to the DHS Office of Inspector General (OIG) and management in our *Independent Auditors' Report*, dated November 14, 2016, included in the fiscal year 2016 DHS *Agency Financial Report*.

Deficiencies related to FLETC information technology (IT) controls will be presented in a separate letter to the DHS OIG, 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 should 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, 2016

TABLE OF FINANCIAL MANAGEMENT COMMENTS (FMC)

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FMC 16-01 – Ineffective Implementation of Procurement Information System for Management (PRISM) to Momentum Reconciliation (NFR No. FLETC 16-01)

FLETC did not fully implement controls to ensure that obligations awarded in the procurement writing system, PRISM, were posted timely in FLETC's financial system of record, Momentum. Specifically, for two months, there were reconciling items identified that were the result of timing differences. However, FLETC did not document the resolution of these items in subsequent months to ensure that they were appropriately resolved. Beginning in April, FLETC implemented a process for documenting the resolution of open items in subsequent months to ensure appropriate resolution.

Recommendation:

FLETC should continue to follow the new control procedures implemented in April 2016 to document the resolution of open items in subsequent months.

FMC 16-02 – Lack of Controls over Review and Approval of IPAC Expenses (NFR No. FLETC 16-02)

FLETC did not have controls in place to ensure proper verification of goods and services received from other Federal entities. Specifically, during testwork of a sample of 45 expense transactions, we identified one IPAC expense that did not have the requesting agency (FLETC) verification confirming receipt of the service.

Recommendation:

FLETC should implement a formal verification process to validate the receipt of goods and services ordered under Economy Act provisions and billed through the Intra-Governmental Payment and Collections (IPAC) system. We further recommend that the receipt verification be completed within a timely manner for processing of a chargeback and recoupment of fund.

FMC 16-03 – Improper Allocation of Gross Costs by Major Mission on the Statement of Net Cost and Footnote (NFR No. FLETC 16-04)

During testwork of the Statement of Net Cost allocation, we identified that the planned student weeks used in determining the Statement of Net Cost allocation varied from the actual student weeks during the year, resulting in a major mission misallocation of costs on the Statement of Net Cost and Footnote 23.

Recommendation:

FLETC should implement a formal review and control process to ensure the accuracy and completeness of the inter-entity cost report student-weeks data to be used for the Statement of Net Cost allocation.

Federal Law Enforcement Training Centers
 Crosswalk – Financial Management Comments to Active NFRs
 September 30, 2016

NFR No.	Description	Disposition ¹			FMC No.
		MW	SD	NC	
16-01	Ineffective Implementation of Procurement Information System for Management to Momentum Reconciliation				16-01
16-02	Lack of Controls over Review and Approval of Intra-governmental Payment and Collection Expenses				16-02
16-03	Lack of Controls over Complementary User Entity Controls	B			
16-04	Improper Allocation of Gross Costs by Major Mission on the Statement of Net Cost and Footnote				16-03
16-05	Unapportioned/Apportioned Classification	B			

¹Disposition Legend:

IAR	Independent Auditors' Report dated November 14, 2016
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	Information Technology Controls and Financial System Functionality
B	Financial Reporting
C	Property, Plant, and Equipment
D	Entity-Level Controls
E	Grants Management
F	Custodial Revenue and Refunds and Drawback
G	<i>Federal Managers' Financial Integrity Act of 1982</i>
H	<i>Single Audit Act Amendments of 1996</i>
I	<i>Antideficiency Act, as amended</i>
J	<i>Federal Financial Management Improvement Act of 1996</i>



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
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