

**OFFICE OF INSPECTOR GENERAL**

**United States Secret  
Service's Management  
Letter for DHS' Fiscal Year  
2016 Financial  
Statements Audit**



Homeland  
Security

**June 29, 2017**  
**OIG-17-87**



# DHS OIG HIGHLIGHTS

## *United States Secret Service's Management Letter for DHS' Fiscal Year 2016 Financial Statements Audit*

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**June 29, 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 United States Secret Service's internal control and other operational matters.

#### **For Further Information:**

Contact our Office of Public Affairs at (202) 254-4100, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### **What We Found**

KPMG LLP, under contract with the DHS Office of Inspector General, audited the United States Secret Service's financial statements and internal control over financial reporting for FY 2016. The resulting management letter contains four observations related to internal controls and other operational matters which are presented in this report for management's consideration. KPMG LLP noted internal control deficiencies in several processes including financial reporting; time and attendance approval; invoice entry and disbursements; and confidential financial disclosure reporting. These 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*.

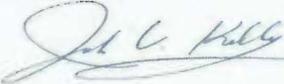


**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

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

June 29, 2017

MEMORANDUM FOR: Gwendolyn Sykes  
Chief Financial Officer  
United States Secret Service

FROM: John V. Kelly   
Deputy Inspector General

SUBJECT: *United States Secret Service's Management Letter for  
DHS' Fiscal Year 2016 Financial Statements Audit*

Attached for your information is our final report, *United States Secret Service's Management Letter for DHS' Fiscal Year 2016 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 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 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, U.S. Secret Service  
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 U.S. Secret Service's (USSS) 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 USSS information technology (IT) controls will be presented in a separate letter to the DHS Office of Inspector General, USSS Chief Information Officer, and USSS 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 USSS'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

U.S. Secret Service  
*Table of Financial Management Comments*  
September 30, 2016

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

<b>Comment Reference</b>	<b>Subject</b>	<b>Page</b>
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FMC 16-02	Ineffective Controls over Time and Attendance Approval	2
FMC 16-03	Untimely Invoice Entry and Disbursements	2
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**APPENDIX**

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U.S. Secret Service  
*Financial Management Comments and Recommendations*  
September 30, 2016

**FMC 16-01 – Ineffective Control Over SF-132 to the SF-133 Reconciliation (*Notice of Finding and Recommendation (NFR) No. USSS 16-01*)**

During testwork over the standard form (SF)-132 to SF-133 reconciliation for FY 2016 Period 6 (March 31, 2016), we noted a mathematical error in the reconciliation for one Treasury account fund symbol: the amount of anticipated recoveries of prior-year unpaid and paid obligations (line 1041) was not added to the unobligated balance brought forward, October 1 (line 1000), resulting in an incorrect total for line 1050, unobligated balance, total.

*Recommendation:*  
USSS should:

- Check formulas prior to completing the SF-132 to SF-133 reconciliation worksheet.
- Complete a second review before submitting the completed reconciliation worksheet to include, a second review of the math and formulas prior to submitting the completed reconciliation worksheet.

**FMC 16-02 – Ineffective Controls over Time and Attendance Approval (*NFR No. USSS 16-02*)**

During testwork over the time and attendance process, we noted two of 45 employees used accrued annual leave prior to supervisory approval. Additionally, we noted timecards for three of the 45 employees were certified subsequent to the Tuesday following the close of the pay period.

*Recommendation:*  
USSS should revise policies to contain directions to managers on how to address verbal approval given prior to the employee taking leave.

**FMC 16-03 – Untimely Invoice Entry and Disbursements (*NFR No. USSS 16-04*)**

Based on our testwork performed over a sample of vendor payments made during FY 2016, we identified that USSS did not enter nor remit timely payment for three out of 41 invoice approval samples tested. Six pension invoices from the DC Pension Plan were received and not paid within thirty days of receipt of the invoice. These invoices also did not accrue or remit Prompt Payment Act interest to the public vendor.

*Recommendation:*  
USSS should review the process by which these are paid and create a new standard operating procedure to ensure they are paid in a timely manner in the future.

**FMC 16-04 – Deficiencies in the Public and Confidential Financial Disclosure Reporting Process (*NFR No. USSS 16-05*)**

During testwork over a sample of 45 employees required to file an Office of Government Ethics (OGE)-450, confidential financial disclosure report, we identified the following:

- Three covered employees did not file the OGE-450 within the 30 day deadline or within the granted extension timeframe.
- One covered employee's OGE-450 form was not complete and the documentation was not maintained for the submission.

U.S. Secret Service  
*Financial Management Comments and Recommendations*  
September 30, 2016

*Recommendation:*

USSS should continue to enforce employee compliance with OGE-450 filing requirements.

U.S. Secret Service  
 Crosswalk – Financial Management Comments to Active NFRs  
 September 30, 2016

NFR No.	Description	Disposition <sup>1</sup>			FMC No.
		IAR			
		MW	SD	NC	
16-01	Ineffective Control Over SF-132 to the SF-133 Reconciliation				16-01
16-02	Ineffective Controls over Time and Attendance Approval				16-02
16-03	Ineffective User Controls over HR Connect Data Transmissions	B			
16-04	Untimely Invoice Entry and Disbursements				16-03
16-05	Deficiencies in the Public and Confidential Financial Disclosure Reporting Process				16-04
16-06	Ineffective Controls in the Seized Property Tracking and Monitoring Process	B			
16-07	Ineffective Control Environment, Risk Assessment, Communication and Control Activities in the Property, Plant, and Equipment Process	C			
16-08	Federal Employment and Veterans' Benefits and Gain/Loss on Pension, Other Retirement Benefits, or Other Postemployment Benefits Assumption	B			
16-09	Control Deficiencies over Entity Level Controls		D	G	
16-10	Federal Financial Management Improvement Act of 1996			J	
16-11	Funds Management: Untimely Recording of Deobligations	B			

**<sup>1</sup>Disposition 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

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### **Appendix B**

### **Report Distribution**

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## ADDITIONAL INFORMATION AND COPIES

To view this and any of our other reports, please visit our website at: [www.oig.dhs.gov](http://www.oig.dhs.gov).

For further information or questions, please contact Office of Inspector General Public Affairs at: [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov). Follow us on Twitter at: @dhsoig.



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