

**OFFICE OF INSPECTOR GENERAL**

**United States  
Coast Guard's  
Management Letter for  
DHS' Fiscal Year 2016  
Financial Statements  
Audit**



Homeland  
Security

**June 30, 2017  
OIG-17-89**



# DHS OIG HIGHLIGHTS

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

**June 30, 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 Coast Guard'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 Coast Guard's financial statements and internal control over financial reporting for FY 2016. The resulting management letter discusses 12 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 disclosure reports; accounts receivable; civilian and military payroll; financial reporting process; and accounts payable accrual. 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 30, 2017

MEMORANDUM FOR: Rear Admiral Todd A. Sokalzuk  
Chief Financial Officer  
United States Coast Guard

FROM: John V. Kelly   
Deputy Inspector General

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

Attached for your information is our final report, *United States Coast Guard's Management Letter for DHS' FY 2016 Financial Statements Audit*. This report discusses 12 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. Coast Guard  
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. Coast Guard's (USCG) 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 USCG information technology (IT) controls will be presented in a separate letter to the DHS Office of Inspector General, USCG Chief Information Officer, and USCG 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 USCG'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. Coast Guard  
*Table of Financial Management Comments*  
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**TABLE OF FINANCIAL MANAGEMENT COMMENTS (FMC)**

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**FMC 16-01 – Preparation of Financial Audit Manual 2010 Checklist (NFR No. USCG 16-02)**

Controls were not operating effectively for FY 2016 to ensure proper preparation of the Government Accountability Office (GAO) Financial Audit Manual (FAM) 2010 Checklist and related identification of non-U.S. Generally Accepted Accounting Principles (GAAP) policies and procedures. We noted based on current operations and processes, errors in USCG's response to questions on the checklist and inconsistencies in USCG's comments to explain the responses selected. Specifically, we identified:

- USCG selected "N/A" in response to a question related to recording investments at acquisition cost or amortized acquisition cost (less an allowance for losses, if any). However, Bureau of Fiscal Services maintains and administers invested funds for Oil Spill Liability Trust Fund and Sport Fish Recreational Boat Trust Fund investments which USCG includes in their financial statements. Management is required to make relevant financial statement assertions and, as such, has responsibility to monitor service providers. Additionally, USCG has a small amount associated with investments for the Gift Fund which they manage independently. USCG should have indicated "Yes" as the response to this topic.
- USCG answered "Yes" to a question about whether donated operating materials and supplies are valued at their fair value at the time of donation. However, per USCG policies, donated items are valued at historical cost or the current moving-average price. Further, this topic should have been included on the non-GAAP policy in the semi-annual submission to the Department.

*Recommendation:*

USCG should continue to refine the implementation of the GAO FAM 2010 Checklist and non-GAAP Analysis procedures and ensure the roles and responsibilities are executed properly in the preparation of the GAO FAM 2010 Checklist.

**FMC 16-02 – Civilian and Military Payroll (NFR No. USCG 16-05)**

Control procedures over the timesheet review and approval for civilian payroll were not operating effectively. Specifically, we noted:

- Two instances out of 45 samples in which there was improper supervisory review.
- Three instances out of 45 samples in which leave was taken prior to approval.
- One instance out of 45 samples in which timesheet was untimely certified.

Control procedures over military pay and allowance impacting transactions were not operating effectively. Specifically, we noted three instances out of 18 samples of untimely processing of member changes that impact member's pay and allowances.

Control procedures over the processing of civilian personnel actions were not operating effectively. Specifically, we noted four instances out of 22 samples over personnel action for civilian separations were approved after the effective date.

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Controls procedures were not operating effectively to ensure adequate documentation is maintained and readily available to support military personnel action activity. Specifically, we noted:

- Two instances out of 16 samples related to military separations in which documentation to support the approval of the personnel action was not able to be timely provided.
- One instance out of 16 samples related to military separations in which the employee was not timely removed from payroll.
- Seventeen instances out of 24 samples related to military accessions in which documentation to support the approval of the personnel action was not able to be timely provided.
- Two instances out of 24 samples related to military accessions in which the employee was not timely enrolled in payroll.
- Five instances out of 64 samples related to inconsistent payroll data between the member's accession enrollment forms and human resource system.
- Two instances out of 25 samples in which documentation to evidence a member's separation from USCG was not properly maintained.

Policies and control procedures were not fully documented related to military payroll reconciliations such that processes to ensure that identified reconciling items were timely reviewed.

*Recommendation:*

USCG should continue to enforce and measure implemented policies and procedures as well as execute training and organizational governance improvements to ensure that accurate and timely reviews of employee timesheets are completed, and that military and civilian actions are processed in a timely and accurate manner.

**FMC 16-03 – Operating Materials and Supplies (NFR No. USCG 16-06)**

Controls to monitor transactional level activity (i.e., receipts and issuances) in order to support movement of quantity and related valuation of operating materials and supplies (OM&S), as reported in the general ledger, were not fully designed and implemented. Specifically, we noted:

- USCG was not able to produce full roll forwards of subsidiary ledger data related to current year activity during interim periods.
- USCG's roll forward of subsidiary ledger data at year-end contained immaterial reconciling differences not identified during internal review.
- Adjustments related to OM&S items purchased for on-going construction in progress projects were made through a summary level on-top adjustment, rather than correcting the individual transaction in their respective general ledger accounts.

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- USCG did not track activity and ensure proper valuation of non-Inventory Control Points managed OM&S. Electronics spare parts; chemical, biological, radiological, nuclear and explosives material; and ordnance located at various field units and third-party vendor warehouse were maintained in external systems not directly tied to a financial system of record. USCG relied on third party provided values and management for ordnance and a subset of electronics without controls over validation of those values.

Control procedures were not designed and implemented effectively at the Aviation Logistics Center to ensure posting errors for recording issuances and receipts to the general ledger are resolved timely. Specifically, we noted:

- Twelve instances of 30 samples in which the correction of transaction error was not performed timely, specifically prior to the related quarterly inventory physical count.
- Fourteen instances of 30 samples in which no documentation was available to support the fact that transaction error was resolved and posted to a valid receipts/issuance by year end.

Controls were not operating effectively to ensure adequate issuance documentation to support activities were maintained, transactions were accurately reflected in the general ledger, and errors were identified and resolved timely. Specifically, we noted the following:

- At the Aviation Logistics Center, one instance out of 45 samples did not have sufficient documentation to support evidence of issuance activity authorization.
- At the Surface Forces Logistics Center, two instances out of 45 samples did not have sufficient documentation to support evidence of issuance activity authorization.
- At the Surface Forces Logistics Center, one instance out of 45 samples did not have sufficient documentation to support evidence of issuance activity.
- At the Surface Forces Logistics Center, three instances out of 45 samples did not have sufficient documentation to support timely processing of issuance activity.

Controls related to USCG's quarterly OM&S physical inventory procedures were not designed and implemented effectively. Specifically, we noted:

- USCG did not sufficiently analyze changes in quantity of operating materials and supplies between the date of last physical inventory performed and the year-end reporting date.
- During independent completeness procedures performed, we noted that two National Item Identification Numbers (NIINs) at the Aviation Logistics Center and three NIINs at the Surface Forces Logistics Center were in locations different from the locations listed in the inventory listing.
- During independent test counts performed during summer and year-end site visits to Inventory Control Points and remote stock locations, we identified discrepancies between physical counts and inventory quantities that were not timely identified or timely corrected.

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Controls over the review of average repair cost values were not properly designed to ensure the master file utilized in the calculation was complete and accurate: Specifically, we noted:

- Four NIINs in the held for repair population did not have an assigned average repair cost value or appear in the master file.

Control procedures over the manual moving average price recalculation and validation performed at Inventory Control Points were not fully designed, implemented, and operating effectively to ensure that a sufficient sample of NIINs are reviewed and all reviews are supported by sufficient audit documentation. Specifically, we noted that the Surface Forces Logistics Center did not perform any manual moving average price recalculation and validations in the third or fourth quarter.

*Recommendation:*

USCG should:

- Review and strengthen policies, procedures and controls for inventory and related property. Processes should be fully designed and implemented to provide a population wide quantity roll forward on an interim basis along with associated movement, and a risk based approach to NIINs review and recalculation.
- Continue to pursue the implementation of the new logistics management accounting system to address system issues.

**FMC 16-04 – Fund Balance with Treasury (NFR No. USCG 16-07)**

USCG lacked policies and control procedures to ensure that reconciling items identified in the fund balance with Treasury reconciliation process had been evaluated for material financial statement impact prior to submission of financial reporting information to the Department. USCG's fund balance with Treasury account statement reconciliation (cited to support adjustments included in the financial data) was completed subsequent to the submission of that financial data, including those adjustments, to the Department. The March 2016 Government Wide Accounting reconciliation was approved on April 21, 2016; the final March 2016 DHS Treasury Information Executive Repository (DHSTIER) file was submitted to DHS including 'cash' adjustments on April 12, 2016. For the first three quarters of FY 2016, the average monthly total of differences addressed by 'cash' adjustments was \$40 million (excludes differences associated with Treasury warrants and rescissions).

As a result of the reconciliation process completed subsequent to the USCG's financial reporting to DHS, we noted the following additional issues with explanations and/or resolution of reconciling items:

- Reconciling items associated with one agency location code, for which explanations and support accompanying the reconciliation, did not differentiate between legitimate timing differences and error/exception-type differences precluding a reviewer from assessing the financial statement impact of each category. The differences comprised approximately \$8.5

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million of the average \$40 million in recurring reconciling items and adjustments, or 21 percent.

- Military cross-disbursing and similar transactions initiated by other government organizations against USCG funds at Treasury were supported by the Treasury Government Wide Account Statement. The statement provides a level of support for the transactions reported to Treasury by the other agency, but lacks independent verification. Differences associated with military cross-disbursing and other similar transactions averaged \$6 million per month of the average \$40 million, or 15 percent.

*Recommendation:*

USCG should update the cash reconciliation procedures and the DHSTIER adjustment procedures to ensure that research and evaluation are included as part of the final fund balance with Treasury reconciliation package.

**FMC 16-05 – Environmental and Disposal Liabilities (NFR No. USCG 16-12)**

Control procedures related to the management review of the quarterly environmental disposal liability report including controls over the completeness and accuracy of the underlying data were not fully implemented. Specifically, we noted the following related to the data element discrepancies within the asbestos report:

- Two out of 25 instances in which the square footage was incorrect.
- Five out of 25 instances in which assets had a date in service prior to the asset date built.

USCG did not have sufficient documentation to evidence performance of control procedures over the current year review of environmental liability estimates for environmental compliance and restoration as well as review of environmental compliance and restoration projects with a current undelivered order to ensure that applicable adjustments are properly made to the environmental liability estimate associated with those projects.

Policies and control procedures were not been fully implemented for USCG's due care processes. USCG did not have documented policies and control procedures for the development of the Environmental Compliance Evaluation Due Care Site Listing which is used to track all operational USCG sites deemed to pose an environmental risk for which due care assessments are to be performed. Specifically, USCG lacked processes used to ensure that the listing was complete so that all active/operational sites that had significant environmental risks were included for evaluation.

*Recommendation:*

USCG should:

- Develop improved procedures and controls to examine the quarterly reports for data errors and inconsistencies.

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- Develop and document procedures regarding the review of Environmental Liability Estimates (ELE). Specifically, these procedures should be developed to ensure that applicable adjustments are properly made to the ELE for projects which have a current undelivered order.
- Develop improved procedures and controls to ensure due care assessment is performed and that identification and evaluation of the environmental liabilities population is performed.

**FMC 16-06 –Leases (NFR No. USCG 16-13)**

Control procedures were not fully designed, implemented, and operating effectively to ensure that USCG's listing of leases and the presentation of the lease footnote disclosure were complete and accurate. In the current year, remediation efforts continued over validation of the completeness and accuracy of lease information reported in the "in grant" module of the Shore Asset Management system. Specifically we identified:

- Six instances in which the lease terms of an active, non-cancellable lease were incorrectly reported on the third quarter Lease Management Schedule.
- Five instances in which the lease terms of a cancellable lease were incorrectly reported on the third quarter Lease Management Schedule.
- Five instances in which future lease payments were incorrectly reported on the third quarter Lease Management Schedule and Operating Lease Footnote.

Control procedures over the reconciliation of lease scorecards prior to lease execution were not appropriately designed and implemented to ensure leases are properly classified as cancellable or non-cancellable.

Policies and control procedures related to personal property leases, including identification of non-cancellable leases and proper reporting in the footnote, continue to be under remediation through September 30, 2016.

*Recommendation:*  
USCG should:

- Strengthen controls and procedures to ensure that all leased assets are properly identified, classified, and recorded.
- Develop a system to identify, record, and properly classify personal property lease populations to ensure presentation of the lease footnote disclosure is complete and accurate.

**FMC 16-07 – Heritage Assets and Stewardship Property (NFR No. USCG 16-14)**

Policies and control procedures over the review of all potential heritage personal property assets were not fully designed and implemented to ensure that all assets meeting criterion per Statement of Federal Financial Accounting Standard No. 29 were properly classified. As of interim audit

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testwork, policies and control procedures to document the determination of personal property assets as heritage were not yet disseminated.

Control procedures were not fully designed and implemented over the evaluation of real property heritage asset classification to ensure complete and accurate presentation of the heritage asset footnote. Specifically, we identified two instances out of four samples in which asset records were removed from the footnote due to real property remediation efforts.

*Recommendation:*

USCG should monitor newly developed procedures to ensure controls are effective and strengthen controls over real property to ensure heritage assets are properly classified in a timely manner and are correctly identified as heritage or multi-use heritage.

**FMC 16-08 – Operating Expense Process (NFR No. USCG 16-16)**

Controls over the processing and supporting of Intra-Governmental Payment and Collections (IPAC) transactions were not designed and implemented to ensure goods and services were received prior to payment. Specifically, we identified:

- USCG relied on vendor-provided information to process IPAC transactions, without verifying propriety of the charge. Accountants determined line of accounting distribution based on information communicated by the vendor on the IPAC transmittal.
- USCG's policy for clearing IPAC related suspense balances instructed accountants to ensure there were sufficient funds available on the document identified by the vendor; and, if sufficient, to 'spread' the charge to the line of accounting without further validation.

USCG lacked designed control procedures to ensure the proper recording of costs of goods sold. Specifically, we noted USCG recorded cutter fuel as inventory rather than operating materials and supplies, and then recorded an expense to cost of goods sold rather than other expenses not requiring budgetary resources.

*Recommendation:*

USCG should:

- Migrate to a new financial system which requires receipting of goods and services for IPACs and has the ability to record trading partner information. USCG plans to implement a Lean Six Sigma project to review year end suspense transactions after year end close to ensure the transactions are posted timely and to identify any errors which would impact the on-top accrual entry.
- Implement procedures to remove cutter fuel from the supply fund to operating expenses.

**FMC 16-09 – Accounts Payable Accrual (NFR No. USCG 16-18)**

USCG did not sufficiently document the analysis and results associated with the retrospective review of the prior year recorded accounts payable accrual to allow an independent reviewer to

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assess the ongoing use of the current process to estimate the accounts payable accrual as of September 30, 2016. For the second consecutive year, the recorded estimate fell outside of the statistical range of the extrapolated estimate. A \$39.9 million difference existed between the recorded estimate of \$525.7 million and the point estimate of \$485.8 million. This difference exceeded USCG's internal accounts payable materiality threshold of \$25.9 million. USCG's Prior Year Comparison Memo did not include documentation of confirming and disconfirming evidence considered. Without such evidence, USCG's final determination was inconclusive of true causes for the booked estimate falling outside of the statistical range.

For the estimation of the September 30, 2016 accounts payable accrual, USCG projected monthly expenditures for the six months subsequent to year end and multiplied those monthly projections by rates generated from the prior year lookback test sample. USCG averaged the individual test item rates from the prior year rather than using the monthly rates of accrual demonstrated by the projection. The sample was used to project accrual amounts over the population; therefore the accrual rates should have been projected to mirror the prior year experience at the monthly expenditure level. USCG recorded an estimate of \$498.1 million as of September 30, 2016 using the average monthly accrual rates, whereas the use of monthly accrual rates on a projection basis would have generated an estimate of \$471.8 million; a difference of \$26.3 million.

USCG's post-stratification calculation contained mathematical formula errors, causing the allocation percentages of certain classifications to be incomplete and inaccurate. The impact was a \$32.1 million overstatement of acquisition, construction, and improvement and a \$32.1 million understatement of operating expenses as of September 30, 2016.

*Recommendation:*

USCG should:

- Continue to evaluate and validate its prior year comparison memo to ensure supporting documentation used in its accounts payable accrual process is complete and comprehensive.
- Continue to compare and evaluate the usage of extrapolated and average tested accrual rates and their impacts on both the sampling and roll forward estimates.
- Where applicable, implement additional checks and reviews to validate all formulas used for mathematical accuracy.

**FMC 16-10 – Accounts Receivable (NFR No. USCG 16-19)**

Controls were not designed and implemented to ensure the proper recording of revenue from goods sold and related accounts receivable. Specifically, we noted USCG recorded cutter fuel as inventory (SGL 1521) rather than OM&S (SGL 1511). As a result, when fuel was consumed, USCG inappropriately recognized revenue from goods sold (SGL 5100) and cost of goods sold (SGL 6500), rather than recording an expense to SGL 6790, other expenses not requiring budgetary resources.

Controls were not operating effectively to ensure all direct and indirect oil spill-related costs were reviewed prior to the billing of responsible parties. Specifically, we noted:

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- One instance out of eight in which the expenditure inquiry report was not signed to evidence review of all costs prior to billing.
- One instance out of eight in which the appropriate indirect rates were not used to calculate personnel and vehicle costs.
- One instance out of eight in which costs were inappropriately included in unbilled accounts receivable.

*Recommendation:*  
USCG should:

- Continue to review its processes surrounding the accounting over supply fund activities.
- Conduct case officer training to reinforce the procedures required by the case management standard operating procedures.

**FMC 16-11 – Financial Disclosure Reports (NFR No. USCG 16-20)**

Controls over the confidential financial disclosure report (Office of Government Ethics (OGE) Form 450) process were not fully effective. Specifically, we noted seventeen instances of 25 samples in which the OGE-450 was not reviewed timely (within 60 days of receipt of the signed form from the filer).

*Recommendation:*  
USCG should send regular reminders of the filing and review deadlines during the disclosure form filing season.

**FMC 16-12 – Statement of Financing (NFR No. USCG 16-22)**

Controls over the preparation of the Statement of Financing Manual Footnote, Consolidated Net Cost to Budget Reconciliation, were not properly designed and implemented. Specifically, we noted purchases of capitalized property and inventory were not properly recorded to SGLs 8801, 8802 and 8803. USCG utilized analytical procedures rather than the appropriate transactional level detail to support Line 15, Resources that Finance the Acquisition of Assets.

*Recommendation:*  
USCG should:

- Continue using manual analytical procedures until posting logic functionality is corrected or the new financial system is implemented.
- Review the Expended Obligations to Proprietary Costs and Capitalized Costs analytic to determine if a reconciliation can be implemented to identify the actual current year activity to address this line item of the Net Cost to Budget Reconciliation (Statement of Financing).

U.S. Coast Guard  
 Crosswalk – Financial Management Comments to Active NFRs  
 September 30, 2016

NFR No.	Description	Disposition <sup>1</sup>			
		IAR			FMC
		MW	SD	NC	No.
16-01	Opening Balances	B			
16-02	Preparation of Financial Audit Manual 2010 Checklist				16-01
16-03	Budgetary Process – Undelivered Orders	B			
16-04	Financial Reporting Process (including manual adjustments)	B			
16-05	Civilian and Military Payroll				16-02
16-06	Operating Materials and Supplies				16-03
16-07	Fund Balance with Treasury				16-04
16-08	Construction in Process	C			
16-09	Personal Property and Equipment	C			
16-10	Real Property	C			
16-11	Property, Plant, and Equipment Site Visit Observations	C			
16-12	Environmental and Disposal Liabilities				16-05
16-13	Leases				16-06
16-14	Heritage Assets and Stewardship Property				16-07
16-15	Actuarial Liabilities	B			
16-16	Operating Expense Process				16-08
16-17	Intra-governmental Transactions and Balances	B			
16-18	Accounts Payable Accrual				16-09
16-19	Accounts Receivable				16-10
16-20	Financial Disclosure Reports				16-11
16-21	Federal Financial Management Improvement Act of 1996			J	
16-22	Statement of Financing				16-12
16-23	Entity Level Controls		D		

<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**

**Department of Homeland Security**

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