

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

Transportation Security Administration'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

APR 12 2013

MEMORANDUM FOR: David Nicholson
Chief Financial Officer
Transportation Security Administration

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *Transportation Security Administration's Management Letter for FY 2012 DHS Consolidated Financial Statements Audit*

Attached for your information is our final report, *Transportation Security Administration's 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 the DHS fiscal year (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 Transportation Security Administration
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 Transportation Security Administration (TSA) is a component of DHS. We noted certain matters, related to TSA, 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 TSA 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 DHS 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 TSA’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

Transportation Security Administration
Table of Financial Management Comments
September 30, 2012

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FMC 12-01 – Asset Exchanges (NFR No. TSA 12-01)

Transportation Security Administration (TSA) lacks formalized documented policies and procedures to ensure that property exchanges maximize value to the government and conform to the appropriate property management laws, regulations, and policies. Exchanges of goods for services are generally not allowable under the property management regulations. Specifically, we noted policies do not exist to:

- Require the review and approval of the Property Management Division (PMD) for any future exchange sales and property disposals.
- Require senior executive leadership within the Office of Acquisitions and the owning organization to review and approve the business case for the exchange of equipment or other non-cash transactions.
- Require PMD to communicate the requirements and policy for exchange sales to all TSA organizations and contracting professionals with the Office of Acquisitions.

Recommendations:

We recommend TSA to take the following corrective actions:

- Require leadership within the Office of Acquisitions and the owning organization to review the business case for the exchange sale for any contract that involves the exchange of equipment.
- The Office of Acquisitions and PMD develop process to identify exchange sale for surveillance and reporting.
- PMD update the Personal Property Management Manual and include exchange sale transaction guidance.
- PMD communicate the requirements and policy for exchange sales to all TSA organizations and contracting professionals with the Office of Acquisitions.
- The Office of Acquisitions issue a data call to all Contracting Officers (COs) to determine if other similar exchange sales were processed in fiscal year (FY) 2011 and FY 2012. Review and verify that any exchange sales that were processed were properly recorded and reported.
- Financial Management Division provide acquisition cost, net book value, and remaining useful life for assets identified for exchange sale and record the appropriate accounting entry to remove the assets from TSA's ledger.

FMC 12-02 – Non-Compliance with the *Debt Collection Improvement Act of 1996 (DCIA)* (NFR No. TSA 12-04)

In FY 2011, TSA was not in compliance with DCIA. During FY 2011, TSA revised its internal Standard Operating Procedures (SOP) over ensuring compliance with DCIA. Although this SOP has been adopted and approved, the SOP is not properly designed to ensure full compliance with the provisions of DCIA for FY 2012. The SOP indicates that referrals are only made on a quarterly basis. We further note that the policy lacks adequate management review controls over the accounts receivable payments database to verify completeness over fees identified as outstanding and eligible for referral.

Specifically we noted the following instances of non-compliance:

- For 3 of 59 sample items selected, demand letters were not sent to the debtor timely.

- For 5 of 59 sample items selected, TSA did not refer eligible, outstanding debt to Treasury within 180 days.

Recommendations:

We recommend that TSA's:

- Accounting and Revenue review and edit the SOP to indicate that Passenger Fee and Air Carrier Fee referrals to Treasury be conducted on a monthly basis by the Office of Revenue to ensure that the SOP is properly designed to ensure full compliance with the Federal collection guidelines.
- Accounting and Revenue review and edit the SOP to document management controls over establishment of Passenger Fee and Air Carrier Fee accounts receivable to review and verify completeness over fees identified as outstanding.

FMC 12-03 – Revenue Fee Classification (NFR No. TSA 12 -05)

During our testwork over revenue, we noted TSA lacks preventative controls to ensure all aviation fees are timely classified to the correct fee type – Aviation Security Infrastructure Fees (i.e. Carrier Fees) or September 11th Security Fees (Passenger Fees) at the time of initial deposit.

Specifically, we noted three instances in which TSA made corrections, in the subsequent quarter, to the March daily deposit report to reclassify two fees from passenger to carrier and one fee from carrier to passenger.

Recommendations:

We recommend that TSA's:

- Revenue Division continue to execute the series of existing controls already in place to identify the correct classification revenue.
- Revenue Division continue with communication, education, and industry outreach to all aviation customers to further emphasize the importance of continually providing proper remittance advice.
- Financial Management Division Accounting Branch review the fee classification recorded via Journal Voucher (JV) (accounts receivable accrual and collections in-transit).

FMC 12-04 – Review of JVs (NFR No. TSA 12-06)

Controls related to JV reviews were not fully effective during the current year. Specifically we noted:

- One sample item that was recorded for the incorrect amount.
- One sample item that was recorded to correct an entry that was reviewed, approved, and posted in error in a prior month.

Recommendations:

We recommend TSA:

- Ensure that JV Preparers and Reviewers take the yearly JV Training which will include JV preparation, lessons learned and the requirements for review and approval.

- Branch Chiefs train their staff on all applicable accounting standards and procedures for their areas of responsibility.

FMC 12-05 – Employee Record Management and Compliance with Human Resources Related Laws (NFR No. TSA 12-07)

TSA lacks documented policies and procedures related to the review and maintenance of employee personnel folders to ensure completeness and accuracy of employee benefit election documentation and processing. In addition, ensure that employee benefits are properly supported by available documentation within the employee personnel files.

Specifically we noted the following conditions related to a lack of documentation:

- Two instances in which the SF-2817 (Federal Employees' Group Life Insurance (FEGLI)) form was not included in the employee personnel folders.
- One instance in which the FEGLI elections per the Leave and Earnings Statement did not agree to the coverage elections selected by the employee per the SF-2817 (FEGLI) form.
- One instance in which the SF-2809 (Federal Employees' Health Benefit (FEHB)) form evidencing the employee's current benefits election was not included in the employee personnel folders.
- One instance in which the current Thrift Savings Plan (TSP) election form was not included in the employee personnel folders.

Recommendation:

We recommend TSA continue to monitor the service provider to verify that all of the supporting documentation for benefit and TSP elections are uploaded into the Official Personnel Folder in a timely manner for both new hires and employee changes. This ongoing review will ensure the service provider is following the Federal guidelines pertaining to record keeping.

FMC 12-06 – Ineffective Controls over the Time and Attendance Process (NFR No. TSA 12-09)

Airports (5 Sites)

During our FY 2012 site visits to airports, we noted that controls over time and attendance were not fully effective at the airports. We noted the following:

- Controls over the review and approval of timesheets are not operating effectively. Specifically, we noted:
 - Lack of evidence of timely supervisor review and approval of timesheets and additional supporting documentation (nine instances):
 - Five of 59 instances where overtime requests were not approved prior to the employee working the overtime hours.
 - Two of 59 instances where employee sick leave approval was not properly evidenced.
 - One of 59 instances where leave was taken prior to supervisor approval.
 - One of 59 instances where the employee was paid for 0.5 hours of unauthorized time worked.

- Lack of policies and procedures to ensure consistent application of time and attendance review requirements at airports utilizing the Electronic Time and Attendance System.
- Lack of policies and procedures to ensure completeness of listing of employees by airport. We noted two instances where employees charged time to Web Time and Attendance (WebTA) in pay period 06, but were not included in the listing of employees provided to the auditors for pay period 06. We note that we were able to trace the employees to the population of payroll expense to ensure they were properly included.

Federal Air Marshall Service (5 Sites)

During our FY 2012 site visits to airports, we noted that controls over the review and approval of timesheets are not operating effectively. Specifically, we noted:

- Lack of evidence of timely supervisor review and approval of timesheets and additional supporting documentation (eleven instances)
 - Two of 62 instances where the timecard was not approved until the following pay period.
 - Eight of 62 instances where leave was taken prior to supervisor approval.
 - One of 62 instances where employee sick leave form was not approved timely.
- Lack of evidence of supervisor review and approval of timesheet and additional supporting documentation (one instance):
 - One of 62 instances where the employee's timesheet was not reviewed and approved by the appropriate supervisor.

Recommendations:

We recommend that TSA:

- Continue to provide training, focusing awareness on maintaining effective controls over time and attendance processes. Training should continue to be accomplished through initial training of personnel assigned to time and attendance duties as well as refresher training for those performing these duties.
- Federal Air Marshall Service Regional Directors within the Office of Field Operations should be responsible for validating and certifying all field office K-Band (TSA pay scale) and Transportation Senior Executive Service SAC time and attendance forms effective immediately.
- Develop and implement policies and procedures for the use of Electronic Time and Attendance System, specifically addressing user roles and proper approval of leave and overtime using reports available from the system, i.e., the exception report.

FMC 12-07 – Property Plant and Equipment (PP&E) Site Visits (NFR No. TSA 12-10)

During our FY 2012 site visits, we noted the following:

Airport Site Visits

During our FY 2012 site visits to airports, we noted that controls over PP&E were not fully effective at the airports. Specifically, we noted that controls in place did not properly ensure:

- The serial number per the asset agrees to Sunflower Asset Management System (SAMS). KPMG noted one instance where the TSA serial number per the asset did not agree to the SAMS record.
- The TSA ID (barcode) per the asset agrees to SAMS. KPMG noted four instances where the TSA ID per the asset barcode did not agree to the asset records per SAMS.
- The asset location agrees to that listed in SAMS. KPMG noted five instances where the actual location did not agree to the location recorded in SAMS.
- Assets not owned by TSA were properly segregated from the inventory scan and excluded from SAMS. KPMG noted 2 instances where the asset was leased with GSA but was improperly included in SAMS and in the inventory scan report.

Federal Air Marshall Service Site Visits

During our FY 2012 site visits to airports, we noted that controls over property, plant and equipment were not fully effective at the Federal Air Marshall Service field offices. Specifically, we noted that controls in place did not properly ensure:

- The serial number per the asset agrees to SAMS. KPMG noted five instances where the TSA serial number per the asset did not agree to the SAMS record.
- The TSA ID (barcode) per the asset agrees to SAMS. KPMG noted one instance where the TSA ID per the asset barcode did not agree to the asset records per SAMS.
- All TSA owned equipment is properly tagged with a TSA barcode. KPMG noted one instance where TSA owned equipment was not tagged with a barcode.
- The asset location agrees to that listed in SAMS. KPMG noted three instances where the actual location did not agree to the location recorded in SAMS.

TSA Logistics Center Dallas Warehouse

During our FY 2012 visit to the TSA Logistics Center, we noted that controls over property, plant and equipment were not fully effective at the TSA Logistics Center. Specifically, we noted that controls in place did not properly ensure:

- The serial number per the asset agrees to SAMS. KPMG noted one instance where the TSA serial number per the asset did not agree to the SAMS record.
- SAMS is updated timely to reflect inventory results. KPMG noted six instances where assets scanned as a part of the inventory count were not included in the reconciled TSA Logistics Center SAMS balance as of September 14, 2012.

Recommendations:

We recommend TSA:

- PMD continue communication and outreach with Accountability Property Officers and Property Custodians to address property management processes, procedures, and updates.
- PMD provide training and ongoing guidance to Program Managers, Accountability Property Officers, Property Custodians, and Vehicle Custodians as needed.
- PMD ensure that Office of Law Enforcement/Federal Air Marshall Service program offices and locations have access to TSA property management policies, procedures and guidance to ensure compliance in adhering to our processes.
- PMD work with all program offices and field offices to ensure TSA owned vehicles are recorded in SAMS with the correct cost, bar code, serial number, and location.

- Open transfer metrics continue to be reported on a monthly basis for monitoring. The detailed list of open transfers will be provided to the offices responsible for closing the transfers for appropriate action.
- PMD, the Financial Management Division, and Office of Security Capabilities will ensure the SAMS extract used to perform the final TSA Logistics Center inventory reconciliation is not generated until the final shipment of the day is received at the TSA Logistics Center.

FMC 12-08 – PP&E Controls (NFR No. TSA 12-11)

During our testwork over FY 2012 PP&E activity, we noted the following:

Asset Additions

- Existing controls are not operating effectively to ensure asset addition values are supported with sufficient, appropriate documentation before addition into the Fixed Asset Module. Specifically, we noted one vehicle was undercapitalized.
- Existing controls are not operating effectively to ensure asset additions are processed timely into the Fixed Assets Module. Specifically, we noted one asset was not approved for addition into the Fixed Assets Module until two months after it appeared as a roll-forward addition.

Asset Retirements

- Existing controls are not operating effectively to ensure asset retirements are supported by sufficient and appropriate documentation. Specifically, we noted one asset was identified as damaged but was improperly recorded as a deletion and had to be subsequently reinstated.
- Existing controls are not operating effectively to ensure assets are disposed of timely. Specifically, we noted two assets were not disposed timely based on review of the supporting documentation.
- Existing controls are not operating effectively to ensure gain/loss is correctly recorded upon asset retirement. Specifically, we noted two instances where the loss recorded for two asset retirements was overstated.

Transportation Security Equipment (TSE) Roll-forward

- Controls are not designed appropriately to ensure review and approval by the Branch Chief is properly evidenced. Specifically, we noted per inspection of the March 31, 2012 equipment roll-forward, the Branch Chief's review was not evidenced.

Recommendations:

We recommend TSA:

Asset Additions

- PMD should implement policies and procedures to utilize invoices providing asset-level detail to record vehicle acquisition costs.
- PP&E Accounting Branch should continue to work with program offices to communicate supporting documentation requirements for capitalized assets.

- Expand existing Internal Control Branch review or create targeted review to address vehicle cost.

Asset Retirements

- PMD should implement quality review processes to validate asset status prior to disposal. PMD will also implement procedures to confirm asset disposals are processed timely with adequate supporting documentation attached to the asset record.
- P&E Accounting Branch should utilize policies and procedures to review asset disposals to verify disposal dates are correct per supporting documentation and the correct disposal date is utilized to calculate and record gain/loss amounts.

TSE Roll-forward

- PP&E Accounting Branch Chief or designee should review and approve of the monthly Transportation Security Equipment roll-forward. Document evidence of approval via signature and date on the roll-forward.

FMC 12-09 – Completeness of Heritage Assets (NFR No. TSA 12-12)

TSA lacks policies and procedures to ensure the completeness of artifacts reviewed by the TSA Historian Project for consideration for classification as a heritage asset. Specifically, during our FY 2012 site visit at the Colorado Springs Operations Center on August 9, 2012, we noted a piece of steel beam from the World Trade Center. However, this artifact had not been considered for evaluation for classification as a heritage asset by the TSA Historian Project.

Recommendations:

We recommend that TSA:

- The TSA Historian Project Manager coordinate a data call to all airports and field offices requesting they identify all assets of potential historical significance for review by TSA Historian Project.
- Data call requirements be communicated on an annual basis by the PMD via newsletters and conference calls.

FMC 12-10 – Undelivered Orders (UDO) Controls – Validation and Verification (NFR No. TSA 12-15)

TSA's policies and procedures are not designed effectively to ensure contract close out and liquidation of any remaining obligation balances is completed timely.

Specifically, during UDO verification and validation control testwork, we noted three instances in which the contract close out procedures and subsequent liquidation of the remaining funding was not completed timely.

Recommendations:

We recommend TSA:

- Develop new training classes for Program Offices (Financial Management Division and Office of Acquisitions partnership).
- Develop priority lists early each fiscal year to address UDOs which use lapsing and cancelling funds.

FMC 12-11 – Travel Authorization Approval (NFR No. TSA 12-17)

As a result of our testwork to ensure that travel authorizations and vouchers are properly approved, coded, and recorded into the FedTraveler System, KPMG noted controls over the travel authorizations were not operating effectively. Specifically, we noted:

- In three instances out of 21, travel authorizations were not approved prior to the start of the employee's travel, and there was no documentation indicating sufficient justification for why the travel was not approved *prior* to the employee's travel departure date.
- In two instances out of 21, the travel authorization approver did not appear to have proper authority to approve the authorization.

Recommendations:

We recommend TSA:

- On a monthly basis, a report of travel authorizations approved after the travel start date be run and travelers and approvers will be notified of non-compliance and asked to amend the travel authorization to provide a justification explaining why the travel was approved after the fact. (The requirement that travel should be approved in advance of travel date is a requirement included in MD 1000.6.).
- By the 15th of each month, the list of authorized approvers be compared to the approvers of travel documents in the system during the same period; any exceptions should be researched.

FMC 12-12 – Intragovernmental Payment and Collection (IPAC) Review Controls and Suspense Clearing (NFR No. TSA 12-19)

In response to FY 2011 NFR TSA-11-14, TSA implemented a new process, effective April 1, 2012, to review IPAC transactions in order to properly clear these transactions from suspense. Under this new policy, all IPAC transactions are reviewed, validated, and approved by the appropriate TSA point of contact (CO or Contracting Officer's Technical Representative (COTR)) prior to being cleared from the suspense account and recorded as an expense. KPMG notes, however, as the control was not implemented until April 2012, we continue to note a control deficiency related to the lack of controls in place to evidence review of IPAC payments in FY 2012.

Recommendations:

We recommend that TSA:

- Financial Management Division continue to execute the IPAC approval process (fully implemented in August 1, 2012) in FY 2013.
- Establish reconciliation procedures to ensure that TSA is receiving the goods and services billed; to include large agreements such as with General Services Administration (GSA).

Transportation Security Administration
 Crosswalk – Financial Management Comments to Active NFRs
 September 30, 2012

NFR No.	Description	Disposition ¹			
		IAR			FMC
		MW	SD	NC	No.
12-01	Asset Exchanges				12-01
12-02	Revenue Analytic	A			
12-03	Entity Level Controls (ELCs) and Related Effects on Financial Reporting	A	F		
12-04	Noncompliance with Debt Collection Improvement Act (DCIA) of 1996				12-02
12-05	Revenue Fee Classification				12-03
12-06	Review of Journal Vouchers (JVs)				12-04
12-07	Employee Record Management and Compliance with Human Resources Related Laws				12-05
12-08	Public Financial Disclosure Forms		F		
12-09	Ineffective Controls over the Time and Attendance Process				12-06
12-10	Property Plant and Equipment (PP&E) Site Visits				12-07
12-11	PP&E Controls				12-08
12-12	Completeness of Heritage Assets				12-09
12-13	Invalid and Inaccurate Undelivered Orders (UDOs)	A			
12-14	Improper Expense Recognition	A			
12-15	UDO Controls – Validation and Verification				12-10
12-16	Lease Accounting and Disclosure	A			
12-17	Travel Authorization Approval				12-11
12-18	<i>Number not used</i>	Not applicable			
12-19	Intragovernmental Payment And Collection Review Controls and Suspense Clearing				12-12
12-20	Controls over Internal Use Software (IUS)	A			
12-21	Non-Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA)			J	
12-22	Prior Year Adjustments	A			

¹Disposition 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

Transportation Security Administration
Crosswalk – Financial Management Comments to Active NFRs
September 30, 2012

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)*

Transportation Security Administration
Status of Prior Year NFRs
 September 30, 2012

NFR No.	Description	Disposition ¹	
		Closed ²	Repeat (2011 NFR No.)
11-01	Employee Record Management and Compliance with Human Resource Related Laws		TSA 12-07
11-02	Accrued Payroll Controls	X	
11-03	Ineffective Controls at the Dallas Warehouse	X	
11-04	Ineffective Controls over the Time and Attendance Process		TSA 12-09
11-05	Property Plant and Equipment (PP&E) Federal Air Marshals (FAMS)		TSA 12-10
11-06	PP&E Site Visits		TSA 12-10
11-07	Policies and Procedures over the PP&E Process		TSA 12-11
11-08	Government Accountability Office (GAO) Checklist	X	
11-09	Incorrect Trading Partner Codes	X	
11-10	Undelivered Order (UDO) Process		TSA 12-15
11-11	<i>Number Not Used</i>		Not applicable
11-12	Review of Journal Entries (JEs)		TSA 12-06
11-13	<i>Number Not Used</i>		Not applicable
11-14	Accounts Payable Process		TSA 12-19
11-15	PP&E Provided by Client Issues	X	
11-16	Lack of Policies and Procedures over Internal Use Software (IUS)		TSA 12-20
11-17	Warehouse Reconciliation to the General Ledger	X	
11-18	Travel Authorization Approval		TSA 12-17
11-19	Accounting for Other Direct Costs	X	
11-20	Accounts Receivable Controls	X	
11-21	Reporting PP&E	X	
11-22	UDO Documentation		TSA 12-13
11-23	Entity-Level Controls		TSA 12-03
11-24	Non-Compliance with the <i>Debt Collection Improvement Act of 1996</i>		TSA 12-04
11-25	Warehouse Controls	X	
11-26	Accounts Payable Balance	X	
11-27	Financial Reporting Deficiencies	X	
11-28	Non-Compliance with Federal Financial Management Improvement Act (FFMIA)		TSA 12-21
11-29	Lease Accounting and Disclosure		TSA 12-16
11-30	Accounting for Advances and Prepayments	X	
11-31	Undelivered Orders Documentation – FAMS	X	

¹ KPMG was engaged to perform an audit over the DHS balance sheet 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*.

Transportation Security Administration
Status of Prior Year NFRs
September 30, 2012

² 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.

Note 1: Due to the expanded scope in the FY 2012 audit, this finding was addressed at the component level.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix C
Report Distribution

Department of Homeland Security

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The OIG seeks to protect the identity of each writer and caller.