

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

## **U.S. Immigration and Customs Enforcement's Management Letter for FY 2013 DHS Financial Statements Audit**





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

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

APR 21 2014

MEMORANDUM FOR: Radha Sekar  
Chief Financial Officer  
U.S. Immigration and Customs Enforcement

FROM: <sup>for</sup> Anne L. Richards *Mark Bell*  
Assistant Inspector General for Audits

SUBJECT: *U.S. Immigration and Customs Enforcement's  
Management Letter for FY 2013 DHS Financial Statements  
Audit*

Attached for your information is our final report, *U.S. Immigration and Customs Enforcement's Management Letter for FY 2013 DHS Financial Statements Audit*. This report contains five comments and five recommendations related to internal control deficiencies that were not required to be reported in the *Independent Auditors' Report on DHS' FY 2013 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 December 11, 2013, which was included in the Department of Homeland Security's (DHS) fiscal year (FY) 2013 Agency Financial Report. We do not require management's response to the recommendations.

We contracted with the independent public accounting firm KPMG LLP (KPMG) to conduct the audit of the DHS' FY 2013 financial statements and internal control over financial reporting. The contract required that KPMG perform its audit according to generally accepted government auditing standards and guidance from the Office of Management and Budget and the Government Accountability Office. KPMG is responsible for the attached management letter dated January 15, 2014, and the conclusions expressed in it.

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

January 15, 2014

Office of Inspector General  
U.S. Department of Homeland Security, and  
Chief Financial Officer  
U.S. Department of Homeland Security, U.S. Immigration and Customs Enforcement  
Washington, DC

Ladies and Gentlemen:

We have audited the financial statements of the U.S. Department of Homeland Security (DHS or Department) for the year ended September 30, 2013 (referred to herein as the “fiscal year (FY) 2013 financial statements”), and have issued our report thereon dated December 11, 2013. In planning and performing our audit of the financial statements of DHS, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. In conjunction with our audit of the 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.

U.S. Immigration and Customs Enforcement (ICE) is a component of DHS. During our audit, we noted certain matters involving internal control and other operational matters, related to ICE, 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 2013 audit – as either reported in our *Independent Auditors’ Report*, or herein – 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 ICE 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 ICE’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**

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September 30, 2013

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

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**APPENDIX**

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U.S. Immigration and Customs Enforcement  
*Financial Management Comments*  
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**FMC 13-01 – Unfunded Leave (*Notice of Finding and Recommendation (NFR) No. U.S. Immigration and Customs Enforcement (ICE) 13-02*)**

ICE lacked adequate policies and procedures to validate the National Finance Center data used to generate the unfunded leave accrual prior to posting the accrual in the Federal Financial Management System.

*Recommendation:*

We recommend that ICE develop policies and procedures, including supervisory reviews over underlying data used to record the unfunded leave accrual to ensure the accuracy of the accrual.

**FMC 13-02 – Imputed Costs – General Journal Entry (*NFR No. ICE 13-03*)**

Controls were not operating effectively to accurately calculate the imputed costs for pension benefits based on the approved cost factors for calculating imputed costs as determined by the Office of Personnel Management.

*Recommendation:*

We recommend that ICE enhance controls and procedures to accurately calculate imputed costs for pension benefits based on updated and approved cost factors prior to posting adjustments into the financial system.

**FMC 13-03 – Payroll Accrual (*NFR No. ICE 13-04*)**

Controls were not fully effective to ensure the accuracy of the payroll accrual as of March 31, 2013. Specifically, we noted that the Continuing Resolution impacted the end of month accounting due to the timing of authorization and apportionment.

*Recommendation:*

We recommend that ICE reinforce existing policies and procedures over the payroll accrual process to ensure consistent application of policies and accuracy of the payroll accrual during continuing resolution periods.

**FMC 13-04 – Untimely Review of Form Office of Government Ethics (OGE)-278 and OGE-450 (*NFR No. ICE 13-05*)**

Controls over the confidential disclosure (OGE-450) forms were not fully effective:

- We found that one individual selected for testwork separated from the agency prior to the filing period; however, that employee was included on the listing of individuals required to file the OGE-450 form.
- One individual selected for testwork had not completed the form until the time of testwork. Additionally, we note as of the date of our testwork not all forms had been received by the Office of Ethics.

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- One sample item was filed by the individual after the February 15, 2013 deadline.
- For all employees selected for testwork, the supervisor review was completed within the 60 day requirement; however, we noted for 11 employees selected for testwork, the certification by the Office of Ethics was not completed until August 2013. Additionally, at the time of testwork the certification process had not been completed for all fiscal year 2013 forms.

Controls were not effective to ensure review by the Office of Ethics was completed within 30 days of filing by the individual for OGE-278s. Specifically, for two sample items selected we note the certification by the Office of Ethics was not completed within 60 days.

*Recommendation:*

We recommend that ICE implement a centralized system to identify individuals required to file financial disclosure forms, monitor progress and review of the forms from the filer to the supervisor, and track receipt of the forms in the Office of Ethics.

**FMC 13-05 – Approval of Personnel Actions (NFR No. ICE 13-07)**

Controls were not implemented for the entire fiscal year to ensure that proper documentation is maintained to support approval of Career Ladder Promotion personnel actions, prior to the action being processed.

*Recommendation:*

We recommend that ICE develop and implement controls to ensure proper documentation is maintained supporting approval of each personnel Career Ladder Promotion action.

U.S. Immigration and Customs Enforcement  
*Crosswalk – Financial Management Comments to Active NFRs*  
 September 30, 2013

Component	NFR No.	Description	Disposition <sup>1</sup>			
			IAR			FMC
			MW	SD	NC	No.
ICE	13-01	General Property, Plant, and Equipment Controls	A			
ICE	13-02	Unfunded Leave				13-01
ICE	13-03	Imputed Costs – General Journal Entry				13-02
ICE	13-04	Payroll Accrual				13-03
ICE	13-05	Untimely Review of Form Office of Government Ethics (OGE)-278 and OGE-450				13-04
ICE	13-06	General Property, Plant, and Equipment Additions and Deletions	A			
ICE	13-07	Approval of Personnel Actions				13-05
ICE	13-08	Internal Use Software	A			
ICE	13-09	Invoice Approval	A			
ICE	13-10	Undelivered Order Analysis	D			
ICE	13-11	Federal Financial Management System to Prism Reconciliation	D			
ICE	13-12	Funds Management and Untimely Recording of Obligation Activity to the General Ledger	D			
ICE	13-13	Financial Reporting	A			
ICE	13-14	U.S. Government Accountability Office Checklist	A			
ICE	13-15	Invoice Receipt	A			
ICE	13-16	Entity Level Controls		E		
ICE	13-17	Federal Financial Management Improvement Act of 1996	A		J	
ICE	13-18	Completeness of the Lease Footnote Disclosure and Timely Capitalization of Leasehold Improvements	A			

<sup>1</sup>Disposition Legend:

IAR	Independent Auditors' Report dated December 11, 2013
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	Liabilities

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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)*



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

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**Appendix A**  
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## ADDITIONAL INFORMATION

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Washington, DC 20528-0305

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