United States Immigration and Customs Enforcement's Management Letter for DHS' FY 2014 Financial Statements Audit
April 16, 2015

Why We Did This

The Federal Government has a fundamental responsibility to be an effective steward of taxpayers’ dollars. Sound financial practices and related management operations, reliable financial systems, and effective internal control are essential for reliable, timely financial information that supports management decision making needed to achieve the Department of Homeland Security’s (DHS) mission.

What We Found

KPMG LLP reviewed the United States Immigration and Customs Enforcement’s (ICE) internal control over financial reporting. The management letter contains five observations related to internal control and other operational matters for management’s considerations.

KPMG LLP noted deficiencies and the need for improvement in certain ICE processes. These deficiencies did not meet the criteria to be reported in the Independent Auditors’ Report on DHS’ FY 2014 Financial Statements and Internal Control over Financial Reporting, dated November 14, 2014, included in DHS’ fiscal year 2014 Agency Financial Report. These observations are intended to improve internal control or result in other operating efficiencies.

For Further Information:
Contact our Office of Public Affairs at (202) 254-4100, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov
MEMORANDUM FOR:  Johnathan Carver
Chief Financial Officer
United States Immigration and Customs Enforcement
FROM:  Mark Bell
Assistant Inspector General for Audits
SUBJECT:  United States Immigration and Customs Enforcement’s
Management Letter for DHS’ FY 2014 Financial
Statements Audit

Attached for your information is our final report, United States Immigration and
Customs Enforcement’s Management Letter for DHS’ FY 2014 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 2014 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 November 14, 2014, which was included in the Department of
Homeland Security (DHS) fiscal year (FY) 2014 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 2014 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 Paul Wood, Acting
Deputy Assistant Inspector General for Audits, at (202) 254-4100.
Attachment
December 8, 2014

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

Ladies and Gentlemen:

In planning and performing our audit of the consolidated financial statements of the U.S. Department of Homeland Security (DHS or Department), as of and for the year ended September 30, 2014, 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. 14-02, 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 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 2014 audit – as either reported in our Independent Auditors’ Report, or herein as a financial management letter comment – 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 is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.
# Table of Financial Management Comments

**U.S. Immigration and Customs Enforcement**

*Table of Financial Management Comments*

*September 30, 2014*

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

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FMC 14-01 – General Property, Plant, and Equipment Additions and Deletions (Notice of Finding and Recommendation (NFR) No. U.S. Immigration and Customs Enforcement (ICE) 14-03)

Controls were not operating effectively to ensure that capitalized assets were timely and accurately recorded in the Sunflower Asset Management System and the general ledger. Specifically we noted three of the additions selected for testwork related to assets that should not have been recorded in Sunflower Asset Management System as they were already recorded in another property subledger. Additionally, we noted a disposal related to the theft of property was not removed from the general ledger timely. Both of these resulted in an overstatement of the property, plant, and equipment general ledger balance.

Recommendation:
We recommend that ICE implement procedures for a review of all capitalized assets prior to recording to the general ledger.

FMC 14-02 – Approval of Personnel Actions – Administrative Uncontrolled Overtime (NFR No. ICE 14-09)

The Summary of Administrative Uncontrollable Overtime forms to support administrative uncontrolled overtime payments to employees could not be provided timely.

Recommendation:
We recommend that ICE continue to enhance policies and procedures regarding the approval and changes related to Administrative Uncontrolled Overtime, including document retention.


OGE-450 Reports:
Based on our walkthrough conducted in the current fiscal year we note the following control weaknesses:
- Existing controls were not fully effective to track all Confidential Financial Disclosure reports (OGE 450).
- Existing controls are not operating effectively to ensure all forms are certified by the Ethics Office within 60 days.
OGE-278 Reports:
- Existing controls are not operating effectively to ensure all Public Financial Disclosure reports (OGE 278) are certified by the Ethics Office within 60 days. We selected a sample of 15 OGE 278 reports for testwork, noting one form was not certified within 60 days of filing. The filer disclosed several transactions which required additional review and research.

Recommendation:
We recommend that the ICE Ethics Office continue implementing the e-filing system acquired in FY 2014.

FMC 14-04 – Apportionments (NFR No. ICE 14-16)
Controls were not operating effectively to ensure funds were appropriately presented as either available or unavailable in the financial statements. Specifically, we noted:
- Balances recorded in the unapportioned balance as of September 30, 2014 should have been recorded as Apportioned in the General Ledger.
- The Apportionment and Reapportionment Schedule (Standard Form (SF)-132) to the Report on Budget Execution and Budgetary Resource (SF-133) reconciliation was not performed appropriately.

Recommendations:
We recommend that ICE:
- Review and enhance existing policies and procedures for recording budget authority and performing the SF-132 to SF-133 reconciliation.
- Review and revise year-end closing processes and procedures to address erroneous impact on apportioned and unapportioned balances.

FMC 14-05 – Completeness of the Lease Footnote Disclosure and Timely Capitalization of Leasehold Improvements (NFR No. ICE 14-17)
Controls were not operating effectively to ensure the lease footnote disclosure was complete and accurate and that executed occupancy agreements were recorded timely. Specifically, we noted:
- Five instances in which non-cancellable occupancy agreements future minimum lease payments were recorded based on incorrect versions of the occupancy agreements as of September 30, 2014.
- One instance of future minimum lease payments that were incomplete based on costs reported to ICE through the Real Property Management System.
- One instance of future minimum lease payments, recorded on the footnote that were recorded in the wrong year.
Recommendation:
We recommend that ICE perform a review of all occupancy agreements, and Real Property Management System data, to ensure completeness and accuracy of reported future minimum lease payments prior to update in the financial system.
Appendix A

U.S. Immigration and Customs Enforcement
Crosswalk – Financial Management Comments to Active NFRs
September 30, 2014

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<th>Component</th>
<th>NFR No.</th>
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1Disposition Legend:
IAR Independent Auditors’ Report dated November 13, 2014
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
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Appendix A
Report Distribution

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