Domestic Nuclear Detection Office's Management Letter for DHS' FY 2015 Financial Statements Audit
April 5, 2016

Why We Did This Audit


What We Found

KPMG LLP, under contract with the DHS Office of Inspector General, audited the Domestic Nuclear Detection Office’s (DNDO) financial statements and internal control over financial reporting for fiscal year (FY) 2015. The management letter contains one observation related to internal controls and other operational matters for management’s consideration. KPMG LLP noted an internal control deficiency and the need for improvement in the undelivered order process. The deficiency is not considered significant and was not required to be reported in the Independent Auditors’ Report on DHS’ FY 2015 Financial Statements and Internal Control over Financial Reporting, dated November 13, 2015, included in the DHS FY 2015 Agency Financial Report. This observation is 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: Patrick Moore  
Chief Financial Officer  
Domestic Nuclear Detection Office  

FROM: Mark Bell  
Assistant Inspector General for Audits  

SUBJECT: Domestic Nuclear Detection Office’s Management Letter for DHS’ FY 2015 Financial Statements Audit  

Attached for your information is our final report, Domestic Nuclear Detection Office’s Management Letter for DHS’ FY 2015 Financial Statements Audit. This report contains an observation related to an internal control deficiency that was not required to be reported in our Independent Auditors’ Report on DHS’ FY 2015 Financial Statements and Internal Control over Financial Reporting, dated November 13, 2015, which was included in the Department of Homeland Security’s (DHS) fiscal year (FY) 2015 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 2015 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 Maureen Duddy, Deputy Assistant Inspector General for Audits, at (617) 565-8723.

Attachment
December 18, 2015

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, 2015, in accordance with auditing standards generally accepted in the United States of America and 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 financial statements. In conjunction with our audit of the general purpose 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 Domestic Nuclear Detection Office (DNDO) is a component of DHS. During our audit we noted certain matters involving internal control and other operational matters, related to DNDO, 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. The disposition of each internal control deficiency identified during our FY 2015 audits – as either reported in our Independent Auditors’ Report, or herein as a financial management letter comment – is presented in Appendix A.

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 DNDO’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
## TABLE OF FINANCIAL MANAGEMENT COMMENTS (FMC)

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## APPENDIX

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FMC 15-01 – Undelivered Orders Population Provided for Audit (NFR No. DNDO 15-01)

Controls were not operating effectively to ensure the detail of obligation balances, provided for audit purposes, were complete and accurate. Specifically, we noted one instance in which an obligation balance was incorrectly presented as part of the current balances of undelivered orders.

Recommendation:
We recommend that DNDO strengthen controls to ensure that obligation balance populations provided for audit purposes are complete and accurate.
### Appendix A

**Domestic Nuclear Detection Office**

*Crosswalk – Financial Management Comments to Active NFRs*

*September 30, 2015*

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<th>Component</th>
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*Disposition Legend:*
- **IAR**: Independent Auditors’ Report dated November 13, 2015
- **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 System Functionality
- **C**: Property, Plant, and Equipment
- **D**: Budgetary Accounting
- **E**: Entity-Level Controls
- **F**: Grants Management
- **G**: Custodial Revenue and Refunds and Drawback
- **H**: *Federal Managers’ Financial Integrity Act of 1982 (FMFIA)*
- **I**: *Single Audit Act Amendments of 1996*
- **J**: *Antideficiency Act, as amended (ADA)*
- **K**: *Federal Financial Management Improvement Act of 1996 (FFMIA)*
Appendix B
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**Domestic Nuclear Detection Office**

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