



Department of Homeland Security Office of Inspector General

**Federal Law Enforcement Training
Center's Management Letter for FY 2010
DHS Consolidated Financial
Statements Audit**





KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

February 2, 2011

Office of Inspector General
U.S. Department of Homeland Security, and
Chief Financial Officer
U.S. Department of Homeland Security Federal Law Enforcement Training Center
Washington, DC

Ladies and Gentlemen:

We were engaged to audit the balance sheet of the U.S. Department of Homeland Security (DHS or Department) as of September 30, 2010 and the related statement of custodial activity for the year then ended (referred to herein as “financial statements”). We were also engaged to examine the Department’s internal control over financial reporting of the balance sheet as of September 30, 2010, and the statement of custodial activity for the year then ended. We were not engaged to audit the accompanying statements of net cost, changes in net position, and budgetary resources for the year ended September 30, 2010 (referred to herein as other fiscal year (FY) 2010 financial statements), or to examine internal control over financial reporting over the other FY 2010 financial statements.

Because of matters discussed in our *Independent Auditors’ Report*, dated November 12, 2010, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the FY 2010 financial statements and we were unable to perform procedures necessary to form an opinion on DHS’ internal control over financial reporting of the balance sheet as of September 30, 2010 and the related statement of custodial activity for the year then ended. The Federal Law Enforcement Training Center (FLETC) is a component of DHS. We noted certain matters involving internal control and other operational matters related to FLETC that are summarized in the Table of Financial Management Comments on the following pages, and presented for your consideration in Section I of 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. These comments are in addition to the significant deficiencies presented in our *Independent Auditors’ Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*. A description of each internal control finding, not related to information technology, and its disposition as either a significant deficiency or a financial management comment is provided in Appendix A. Our findings related to information technology systems security have been presented in a separate letter to the Office of Inspector General and the FLETC Chief Financial Officer and Chief Information Officer.

As described above, the scope of our work was not sufficient to express an opinion on the balance sheet as of September 30, 2010 or the statement of custodial activity of DHS for the year then ended, and we were not engaged to audit the statements of net cost, changes in net position, and budgetary resources for the year ended September 30, 2010. Accordingly, other internal control matters may have been identified and reported had we been able to perform all procedures necessary to express an opinion on the FY 2010 financial statements and had we been engaged to audit the other FY 2010 financial statements. We aim, however, to use our knowledge of DHS’ 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. This report is intended for the information and use of DHS' and FLETC's management, the DHS Office of Inspector General, the U.S. Office of Management and Budget, 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

Federal Law Enforcement Training Center
Table of Financial Management Comments
September 30, 2010

TABLE OF FINANCIAL MANAGEMENT COMMENTS (FMC)

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Federal Law Enforcement Training Center
Financial Management Comments
September 30, 2010

FMC 10-01 – Management Review of Purchase Card Statements (NFR No. FLETC 10-01)

To test the control over management review of monthly purchase card statements, we judgmentally selected a sample of nine cardholders, and examined five months of purchase card statements for each cardholder for a total sample of 45 purchase card statements. The results of testing were as follows:

- 26 instances where the statement was not signed by cardholder or supervisor in a timely manner.
- 11 instances where the statement was not signed by the cardholder in a timely manner.
- 1 instance where the statement was not signed by the supervisor in a timely manner.

Recommendations:

We recommend that the Federal Law Enforcement Training Center (FLETC) review the guidance for Management Review of Charge Cards, update FLETC policies and procedures, and provide additional training to ensure timely review of purchase card statements by both the cardholder and supervisor.

FMC 10-02 – Accounts Payable (A/P) Estimation Methodology and True-Up Analysis (NFR No. FLETC 10-03)

We noted that the Federal A/P balance at September 30, 2010 was approximately \$1,063,000 compared to \$3,813,000 noted in the A/P true-up detail provided to us during fiscal year 2010.

We then obtained a detail of non-Federal subsequent disbursements, from October 1, 2009 through December 31, 2009 and noted that total non-Federal disbursements for the first quarter were \$25,219,000, compared to the amount accrued for the non-Federal A/P as of September 30, 2009 of \$31,444,000, noting a difference of \$6,225,000.

In addition, we noted that FLETC did not perform analyses over subsequent disbursements related to travel or Federal vendors, totaling \$4,758,000, to determine the accuracy of the September 30, 2009 accrual.

Recommendation:

We recommend that FLETC review best practices of other federal agencies that have had success related to accounts payable estimation and develop a process for the accounts payable accrual that is consistent with FLETC's business model.

Federal Law Enforcement Training Center
 Crosswalk - Financial Management Comments to NFRs
 September 30, 2010

NFR No.	Description	Disposition ¹			
		IAR			FMC
		MW	SD	NC	No.
10-01	Management Review of Purchase Card Statements				10-01
10-02	FFMIA Compliance			J	
10-03	Accounts Payable Estimation Methodology & True-Up Analysis				10-02

¹Disposition Legend:

IAR	Independent Auditors' Report dated November 12, 2010
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 Noncompliance 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 Management and Reporting
B	Information Technology Controls and System Functionality
C	Fund Balance with Treasury
D	Property, Plant, and Equipment
E	Actuarial and Other Liabilities
F	Budgetary Accounting
G	Other Entity-Level Controls
H	Custodial Revenue and Drawback
I	<i>Federal Managers' Financial Integrity Act of 1982 (FMFIA), and Laws and Regulations Supporting OMB Circular No. A-50, Audit Followup, as revised</i>
J	<i>Federal Financial Management Improvement Act of 1996 (FFMIA)</i>
K	<i>Single Audit Act Amendments of 1996</i>
L	<i>Chief Financial Officers Act of 1990 (CFO Act)</i>
M	<i>Antideficiency Act, as amended (ADA)</i>
N	<i>Government Performance and Results Act of 1993 (GPRA)</i>

Federal Law Enforcement Training Center
Status of Prior Year NFRs
 September 30, 2010

NFR No.	Description	Disposition ¹	
		Closed ²	Repeat (2010 NFR No.)
09-01	<i>Number not used</i>		Not applicable
09-02	<i>Number not used</i>		Not applicable
09-03	<i>Number not used</i>		Not applicable
09-04	<i>Number not used</i>		Not applicable
09-05	<i>Number not used</i>		Not applicable
09-06	<i>Number not used</i>		Not applicable
09-07	<i>Number not used</i>		Not applicable
09-08	<i>Number not used</i>		Not applicable
09-09	<i>Number not used</i>		Not applicable
09-10	<i>Number not used</i>		Not applicable
09-11	<i>Number not used</i>		Not applicable
09-12	<i>Number not used</i>		Not applicable
09-13	<i>Number not used</i>		Not applicable
09-14	<i>Number not used</i>		Not applicable
09-15	<i>Number not used</i>		Not applicable
09-16	Contract Review Process of Expenses	X	
09-17	<i>Number not used</i>		Not applicable
09-18	<i>Number not used</i>		Not applicable
09-19	<i>Number not used</i>		Not applicable
09-20	FFMIA Non-compliance		FLETC-10-02
09-21	<i>Number not used</i>		Not applicable
09-22	<i>Number not used</i>		Not applicable
09-23	Untimely Capitalization of PP&E	X	
09-24	<i>Number not used</i>		Not applicable
09-25	<i>Number not used</i>		Not applicable
09-26	FMFIA Noncompliance	X	
09-27	Budgetary Controls over Upward/Downward Adjustments	X	
09-28	Improper Expensing and Capitalization of CIP and PP&E costs	X	
09-29	Management Review of the Billing Process	X	
09-30	Management Review of the Purchase Card Statements		FLETC 10-01
09-31	Accounts Payable Estimation Methodology		FLETC 10-03
09-32	Untimely Referral of Receivables to Treasury	X	
09-33	Budgetary Controls over Upward/Downward Adjustments – Untimely De-obligations	X	
09-34	Controls over Financial Reporting	X	
09-35	Capital Leases	X	

¹ KPMG was engaged to perform an audit over the DHS balance sheet and statement of custodial activity as of and for the year ended September 30, 2010, and was not engaged to perform an audit over the statement of net cost,

Federal Law Enforcement Training Center
Status of Prior Year NFRs
September 30, 2010

statement of changes in net position, and statement of budgetary resources for the year ended September 30, 2010. In addition, we were engaged to follow up on the status of all active NFRs that supported significant deficiencies reported in KPMG's *Independent Auditors' Report* dated November 13, 2009.

² NFRs were closed either through remediation of the findings or we were not engaged to follow up on active NFRs that did not support significant deficiencies reported in KPMG's *Independent Auditors' Report* dated November 13, 2009.

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