

# DHS Internal Control Playbook and Internal Control Audits in the Federal Government

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# Objectives

- Background on *The Department of Homeland Security Financial Accountability Act*.
- Management Perspectives on Internal Control Over Financial Reporting and Operations.
- Inspector General Perspectives on Internal Control Audits and the *American Recovery and Reinvestment Act*.



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# DHS Financial Accountability Act

## Public Law 108-330

The DHS Financial Accountability Act requires:

- CFO Confirmed by US Senate.
- Secretary's Assurance Statement on Internal Controls Over Financial Reporting.
- OIG Audit Opinion on Internal Controls Over Financial Reporting.
- Secretary shall design and implement Departmentwide management controls



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# Internal Control Results FY 2005

Internal Control Component	Management Directorate	Customs & Border Protection	U.S. Coast Guard	Federal Emergency Management Agency	Transportation Security Administration	Immigration & Customs Enforcement	U.S. Citizenship & Immigration Services	U.S. Secret Service	National Protection and Programs Directorate	Science & Technology	Federal Law Enforcement Training Center	Inspector General	Headquarters Operational Offices
Entity Level Controls	Red	Yellow	Red	Yellow	Yellow	Red	Yellow	Yellow		Yellow	Yellow	Yellow	
Financial Reporting	Red		Red	Red	Red	Red							
Fund Balance with Treasury			Red			Red							
Financial System	Red	Red	Red	Red	Red	Red	Red		Red				
Budgetary Resources			Red		Red	Red							
Property Management			Red			Red			Red				
Grants Management				Red	Red								
Payment Management						Red							
Insurance Management													
Revenue Management													
Receivable Management													
Human Resources			Red										



# DHS Internal Control Playbook

U.S. Department of Homeland Security  
Internal Control Playbook  
Fiscal Year 2009



## Department of Homeland Security Mission

We will lead the unified national effort to secure America. We will prevent and deter terrorist attacks and protect against and respond to threats and hazards to the Nation. We will secure our national borders while welcoming lawful immigrants, visitors, and trade.

## DHS Strategic Goals

Protect Our Nation  
From Dangerous  
People

Protect Our Nation  
From Dangerous  
Goods

Protect Critical  
Infrastructure

Strengthen Our  
Nation's  
Preparedness and  
Emergency Response  
Capabilities

Strengthen and Unify DHS Operations and Management

## Internal Control Over Financial Reporting (ICOFR)

- Coordinate Management's assessment of ICOFR with the Independent Auditor to implement the Department's first ever integrated internal control and financial statement audit.
- Substantially remediate Federal Emergency Management Agency and Transportation Security Administration material weaknesses.
- Eliminate reportable conditions at Customs and Border Protection, Immigration and Customs Enforcement, Federal Law Enforcement Training Center, and U. S. Citizenship and Immigration Services.
- Execute the U. S. Coast Guard's *Financial Strategy for Transformation and Audit Readiness*.

## Internal Control Over Operations (ICOOPs)

- Support the implementation of the *American Recovery and Reinvestment Act*.
- Continue to provide Senior Management Council oversight and enhance audit follow-up functions.
- Integrate internal control assessments across Component lines of business.
- Sustain *Improper Payments Information Act* compliance progress and continue efforts to support the Federal Emergency Management Agency.

## Conformance with Financial Management Systems Requirements

- Continue to integrate financial system security assessments through test of operating effectiveness and incorporate results into Plans of Actions and Milestones.
- Develop implementation approach for the *Federal Financial Management Improvement Act*.

1. Internal Controls Over Financial Reporting.
2. Internal Controls Over Operations.
3. Conformance with Financial Management Systems Requirements.



Department of Homeland Security Core Values  
Duty | Respect | Innovation | Vigilance



# Internal Control Assessment Plan FY 2009

Internal Control Component	Customs & Border Protection	U.S. Coast Guard	Federal Emergency Management Agency	Transportation Security Administration	Immigration & Customs Enforcement	U.S. Citizenship & Immigration Services	U.S. Secret Service	Management Directorate	National Protection and Programs Directorate	Science & Technology	Federal Law Enforcement Training Center	HQ Operational Offices
Entity Level Controls	Blue	Yellow	Yellow	Blue	Blue	Blue	Blue	Blue	Yellow	Blue	Blue	Blue
Financial Reporting	Blue	Red	Red	Red	Blue	Blue	Blue	Blue	Grey	Grey	Blue	Grey
Fund Balance with Treasury Management	Blue	Red	Blue	Blue	Blue	Blue	Grey	Blue	Blue	Blue	Grey	Grey
Financial System Security	Blue	Red	Red	Red	Blue	Blue	Blue	Blue	Grey	Grey	Blue	Grey
Budgetary Resources Management	Grey	Red	Red	Grey	Grey	Grey	Grey	Grey	Yellow	Grey	Grey	Grey
Property Management	Blue	Red	Red	Red	Yellow	Grey	Grey	Grey	Grey	Grey	Grey	Grey
Grants Management	Grey	Grey	Blue	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
Payment Management	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
Insurance Management	Grey	Grey	Blue	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
Revenue Management	Blue	Grey	Blue	Blue	Blue	Blue	Grey	Grey	Grey	Grey	Grey	Grey
Human Resources Management	Grey	Red	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey

### Legend

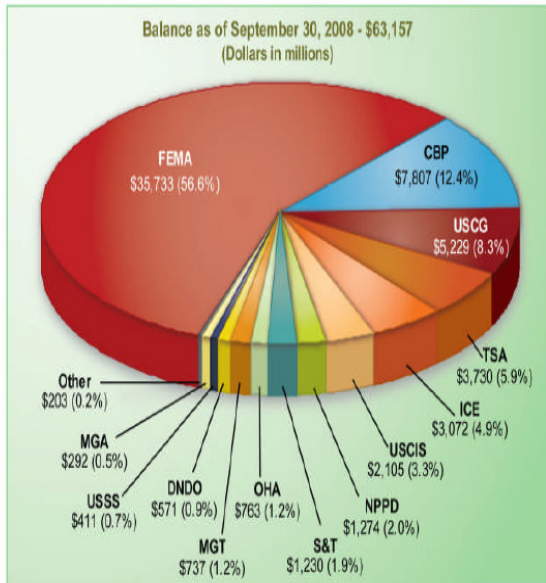
Corrective Actions on Material Weakness Condition	Corrective Actions and Test of Design	Planned Test of Operating Effectiveness	No Assessment Work Planned



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# Account Risk Profiles

## Fund Balance with Treasury



Coverage	Component
88.2%	FEMA, CBP, TSA, ICE, USCIS, NPPD, S&T, MGT

\*Identified by Independent Auditors' Report as a Significant Deficiency

Processes Impacted	Risk Level
Fund Balance with Treasury Management	
Known Deficiencies	Component
Material weakness	USCG*
Reportable condition	ICE

Processes Impacted	Risk Level
Budgetary Resource Management	
Known Deficiencies	Component
None noted	N/A

Processes Impacted	Risk Level
Payment Management	
Known Deficiencies	Component
Reportable condition	ICE, USCIS

Processes Impacted	Risk Level
Revenue Management	
Known Deficiencies	Component
None noted	N/A

- Mission Operations
- Potential Impacts to PERCV
- Component Locations
- Process Risks
- Financial Reporting
- Information Systems
- Laws and Regulations
- Mergers and Consolidations
- Use of Service Organizations
- Quantitative Materiality
- Audit Findings



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# Benefits of Internal Control Audits

- Performance Audits
- CFO Council Study
- DHS Financial Accountability Act Study



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# Internal Control Audit

- Phase A: Plan and Scope the ICOFR Audit
  - Coordinate with DHS Management's OMB A-123 Process and Assertion Statement
  - Establish Control Criteria
  - Identify and Plan Incremental Procedures
- Phase B: Plan Incremental Internal Control Testing
  - Control Environment
  - Risk Assessment
  - Control Activities
  - Information and Communication
  - Monitoring
- Phase C: Reporting
  - Reporting of Identified Deficiencies in Control



# Internal Control Over Operations

- Phase 1 - Improve Department Governance and Performance
- Phase 2 - Improve Component Governance and Performance
- Phase 3 - Integrate Internal Control across DHS Programs and Operations



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# American Recovery & Reinvestment Act

Home Information Sharing & Analysis Prevention & Protection Preparedness & Response Research Commerce & Trade Travel Security Immigration

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Secretary Janet Napolitano  
U.S. Department of Homeland Security

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**The Economic Recovery Act of 2009**

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**Overview of the American Recovery and Reinvestment Act of 2009**

The American Recovery and Reinvestment Act (ARRA) is an effort to jumpstart our economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges so our country can thrive in the 21st century. With much at stake, the Act provides for unprecedented levels of transparency and accountability so that you will be able to know how, when, and where your tax dollars are being spent. Spearheaded by a new Recovery Board, this Act contains built-in measures to root out waste, inefficiency, and unnecessary spending. [See more at recovery.gov.](#)

**Implementing the American Recovery and Reinvestment Act of 2009**

Projects supported by these funds will not only make the country safer and more secure, but they also will create new jobs, and in some cases, save the jobs of men and women who do the work of staying ahead of those who would seek to do us harm.

## Accountability Objectives:

- Recovery funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all recovery funds are transparent to the public, and that the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- Recovery funds are used for authorized purposes and every step is taken to prevent instances of fraud, waste, error, and abuse;
- Projects funded under the recovery legislation avoid unnecessary delays and cost overruns; and,
- Programs meet specific goals and targets, and contribute to improved performance on broad economic indicators.

# American Recovery & Reinvestment Act

- **St. Elizabeths/DHS Headquarters Consolidation:**
  - \$650 million (\$200 million to DHS; \$450 million to GSA)
- **U.S. Customs and Border Protection (CBP):**
  - \$720 million for construction at land ports of entry (\$300 million GSA; \$420 million CBP)
  - \$100 million for Non-Intrusive Inspection (NII) technology
  - \$100 million for border technology on the southwest border
  - \$60 million for tactical communications equipment and radios
- **U.S. Immigration and Customs Enforcement (ICE):**
  - \$20 million for ICE automation modernization and tactical communications
- **Transportation Security Administration:**
  - \$1 billion for explosives detection systems and checkpoint screening equipment
- **U.S. Coast Guard:**
  - \$142 million for Alteration of Bridges program
  - \$98 million for construction, which may include the following:
    - Shore facilities and aids to navigation facilities
    - Vessel repair/acquisition (includes High Endurance Cutter, National Security Cutter)
- **Federal Emergency Management Agency:**
  - \$100 million for Emergency Food and Shelter Program
  - \$150 million for transit and rail security grants
  - \$150 million for port security grants, no non-federal match required
  - \$210 million for Assistance to Firefighter (AFG) grants for firehouse construction; maximum grant is \$15.0M
  - \$5 million expansion in authority for FEMA Community Disaster Loans
- **DHS Office of Inspector General:**
  - \$5 million to conduct related oversight and audits



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Securing the Homeland

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