

CASE STUDY

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Transportation Security Administration (TSA) Case Study

Challenge:

During the FY2006 Financial Statement Audit, the Transportation Security Administration (TSA) received a material weakness in budgetary accounting. One of the major items identified in the TSA Financial Statement Audit stated that TSA did not maintain documentation supporting Undelivered Orders (UDOs) and related purchase information in a manner that was readily available to management and auditors. TSA was unable to provide sufficient documentation to support a sample of UDO balances at yearend prior to the completion of the Department of Homeland Security FY2006 Performance and Accountability Report (PAR).

The audit report recommended that TSA initiate an Undelivered Order Verification and Validation to include development and implementation of policies, procedures and processes to ensure outstanding obligations are valid, reconciled and properly stated on the financial records.

Due to audit weaknesses, system issues, as well as regulatory and business driven changes, the TSA was faced with invalid Undelivered Orders and outstanding Obligations.

Solution:

TSA needed to put an improved process in place where the Office of Finance could verify and validate all Undelivered Order balances in a timely manner to avoid having old and invalid payable balances on its accounting records. Highly experienced in both technology and auditing, Federal Management Systems, Inc (FMS) was engaged by TSA as a subcontractor to perform a top to bottom Verification and Validation (V&V) of all open obligations.

The FMS Team approached the V&V strategy with the intention of maximizing the benefit to be obtained from the V&V process. Purchase orders greater than \$5 Million and expiring appropriations were reviewed first constituting greater than 50 percent of the open obligation dollar amount. Additionally, open obligations that had not had any activity since their conversion from the previous financial system were reviewed. Since these obligations had no activity for over two years, there was a very good chance that these obligations could be deobligated, thus returning funds to TSA. In the long term, a quarterly undelivered order V&V process needed to be established so that open obligations can be reviewed on a regular basis.

Results:

The implementation of the V&V paved the way for enormous success during the FY2007 and FY2008 Financial Statement Audits. TSA with the support of FMS was able to reduce the material weakness to only a reportable condition in FY2007 and then reduce the reportable condition to no deficiency. Based on the implementation of the reconciliation and the initiation of regular UDO reviews, TSA was able to reduce Undelivered Orders by tens of millions of dollars per year. This program was so successful that FMS was also asked to review Property, Plant, and Equipment for TSA.