

## Management Assurances

### Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act of 1982 (Integrity Act or FMFIA) provides the statutory basis for management's responsibility for and assessment of accounting and administrative internal controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The Integrity Act requires federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable law; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. The Integrity Act also requires the agency to annually assess and report on the internal controls that protect the integrity of federal programs (FMFIA Section 2) and whether financial management systems conform to related requirements (FMFIA Section 4).

Guidance for implementing the Integrity Act is provided through OMB Circular A-123. In addition to requiring agencies to provide an assurance statement on the effectiveness of programmatic internal controls and financial management systems, the Circular requires agencies to provide an assurance statement on the effectiveness of internal control over financial reporting.

### FMFIA Assurance Statement

Department of Justice management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of FMFIA. In accordance with OMB Circular A-123, the Department conducted its annual assessment of internal controls over program operations, which included compliance with applicable laws and regulations and conformance with financial management systems requirements. Based on the results of the assessment for the period ending September 30, 2007, the Department of Justice provides a qualified statement of assurance. The assessment did not identify any substantial systems non-conformances; however, it identified two program material weaknesses. These weaknesses involve the need to reduce the Bureau of Prisons (BOP) crowding rate, currently at 37 percent over the rated capacity, and the Federal Bureau of Investigation's (FBI) use of National Security Letters.

Except for the material weaknesses, the internal controls over program operations and financial management systems meet the objectives of FMFIA. Details of the exceptions are provided in the section *Summary of Material Weaknesses and Corrective Actions*. Other than the exceptions noted, the internal controls were operating effectively, and no other material weaknesses were found in the design or operation of the controls.

The Department conducted its assessment of the effectiveness of internal control over financial reporting, which included the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this assessment for the period ending June 30, 2007, the Department provides reasonable assurance that its internal control over financial reporting was operating effectively, and no material weaknesses were found in the design or operation of the controls.

As stated in my introductory message, the Department of Justice is committed to strong program and fiscal management as we continue our mission of fighting terrorism and crime. We are dedicated to improving the Department's internal controls and look forward to further progress in this important area.



Michael B. Mukasey  
Attorney General  
*November 13, 2007*

## Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to improve federal financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of federal programs. FFMIA requires agencies to have financial management systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction level. Furthermore, the Act requires independent auditors to report on agency compliance with the three requirements as part of financial statement audit reports. The Federal Information Security Management Act (FISMA) states that to be substantially compliant with FFMIA, there are to be no significant deficiencies in information security policies, procedures, or practices.

### FFMIA Compliance Determination

During FY 2007, the Department assessed its financial management systems for compliance with FFMIA and determined that, when taken as a whole, they substantially comply with the requirements of FFMIA. This determination is based on the results of FISMA reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to issues identified in the Department's financial statement audit.

### Summary of the Department's Financial Statement Audit and Management Assurances

The following two tables summarize the results of the Department's financial statement audit and management assurances regarding the effectiveness of internal control over financial reporting and program operations (FMFIA Section 2), conformance with financial management systems requirements (FMFIA Section 4), and compliance with the Federal Financial Management Improvement Act (FFMIA).

**Table 1. Summary of Financial Statement Audit**

Financial Statement Audit Opinion and Material Weaknesses					
<b>Audit Opinion</b>	Unqualified				
<b>Restatement</b>	No				
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
Improvements are needed in the Department's and components' financial systems general and application controls	1	0	1	0	0
<b>Total Material Weaknesses</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>

**Table 2. Summary of Management Assurances**

<b>Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)</b>						
<b>Statement of Assurance</b>	Unqualified					
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
Accounting and Financial Reporting Procedures	1	0	1	0	0	0
<b>Total Material Weaknesses</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Effectiveness of Internal Control over Program Operations (FMFIA § 2)</b>						
<b>Statement of Assurance</b>	Qualified					
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
Prison Crowding	1	0	0	0	0	1
Federal Bureau of Investigation Use of National Security Letters	0	1	0	0	0	1
<b>Total Material Weaknesses</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Conformance with Financial Management Systems Requirements (FMFIA § 4)</b>						
<b>Statement of Assurance</b>	Systems Conform					
<b>Non-Conformances</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
General Controls over Information Systems Supporting Financial Processes	1	0	1	0	0	0
Integrated Financial Management System	1	0	0	0	1*	0
<b>Total Non-Conformances</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>
* Based on the Department's planned implementation schedule for the Integrated Financial Management System and the progress that has been made, management reassessed the non-conformance reported in FY 2006 and no longer considers it to be a non-conformance.						
<b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>						
<b>Overall Substantial Compliance</b>	<b>Agency</b>			<b>Auditor</b>		
	Yes			Yes		
<b>Compliance with Specific Requirements</b>						
Systems Requirements	Yes					
Accounting Standards	Yes					
USSGL at Transaction Level	Yes					