

Integrated Strategy for High-Risk Management

Strengthening DHS Information Technology and Financial Management Functions
A Biannual Update to the Government Accountability Office

March 2024



**Homeland
Security**

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548-0001

Dear Comptroller General Dodaro:

On behalf of the Department of Homeland Security (DHS or the Department), I am pleased to submit the enclosed update to the DHS *Integrated Strategy for High-Risk Management (Integrated Strategy)*.¹ The Department continues to sustain strong performance across our acquisition and human capital functions, which the Government Accountability Office (GAO) removed from this High-Risk issue area in 2023, while increasing our focus on challenges and opportunities in financial management and information technology (IT). This update provides our status, initiatives, and future plans to fully address our remaining agreed upon outcomes.

In financial management, DHS has continued making progress to modernize its outdated financial management systems. Throughout fiscal year (FY) 2023, the Department's Financial Systems Modernization Program Management Office continued their work with the U.S. Coast Guard to resolve remaining challenges with their new system while enhancing its controls. Significant progress was noted by the Office of Inspector General and the external auditors, KPMG, LLP. Despite the complexities of such a large modernization effort, the Department continues to demonstrate its accountability by earning its eleventh consecutive unmodified opinion on our consolidated financial statements during FY 2023.

Early in FY 2023, DHS awarded contract task orders to obtain modern financial software for the Federal Emergency Management Agency (FEMA), U.S. Immigration and Customs Enforcement (ICE), and certain other DHS organizations that use ICE's legacy system. In September 2023, DHS awarded the system integrator task order for the FEMA modernization program. Early in FY 2024, the program onboarded system integrator contractors and stood up a demonstration system. The demonstration system is currently supporting the initial phase of implementation (called "Discovery"). This phase includes workshops with FEMA functional experts to assess the degree to which standard application functionality supports FEMA business processes and the types of configurations needed to fully implement requirements.

FEMA's Discovery workshops began in January 2024 and are expected to complete later in FY 2024. Following completion of Discovery, DHS and the system integrator will confirm FEMA's implementation schedule and milestones through go-live. We expect to provide those dates in our September 2024 Integrated Strategy. As FEMA represents close to 40 percent of the Department's gross costs, future completion of these efforts will help the Department earn an unmodified audit opinion on its internal control over financial reporting, while achieving a long-standing goal for the Department to comply with a statutory requirement that is unique to DHS among federal agencies.

¹ *Integrated Strategy*, published every six months since 2011, outlines the Department's framework for addressing the management functions on the GAO High-Risk List.

The Honorable Gene L. Dodaro
Page 2

DHS has demonstrated continued progress in strengthening IT security, despite a constantly changing threat environment. To date, we have fully addressed five of the six agreed upon high-risk outcomes in IT. For the one unresolved outcome, we are working to implement key security controls and activities, as independently assessed by the DHS Office of Inspector General and our external auditor based on Federal Information Security Modernization Act reporting requirements.

Within the Management Directorate, we are committed to building strong mission support functions that enable our workforce to do its job more efficiently and effectively while demonstrating stewardship of increasingly scarce budgetary resources. The financial management and information systems security initiatives described in this Strategy are key building blocks for effective mission support.

We appreciate the collaborative working relationship and partnership we enjoy with GAO and look forward to further engagement with your teams on these initiatives during the months and years ahead.

Please contact me should you wish to discuss our updated Integrated Strategy report.

Thank you.

Sincerely,

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D ALLES**  Digitally signed by
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R.D. Alles

Deputy Under Secretary for Management

Enclosure



Progress on the Government Accountability Office High-Risk Outcomes

In 2010, the Government Accountability Office (GAO) identified 30 outcomes and the Department of Homeland Security (DHS) agreed that achieving these goals were critical to addressing challenges within the Department’s management areas. Those outcomes covered the following functional areas: financial management, human capital, information technology, acquisition, and management integration. The Department first issued the *Integrated Strategy* in 2011 and has maintained a practice of updating GAO on its progress twice a year.² In general, the *Integrated Strategy for High-Risk Management (Integrated Strategy)* report provides updated action plans for the outcomes that have not yet achieved a Fully Addressed rating from GAO.

Since that time, the Department has made significant progress and addressed many of the identified outcomes. As such, in January 2023, GAO informed the Department that the scope of this High-Risk area would be narrowed to “Strengthening DHS Information Technology and Financial Management” and focus only on the remaining nine outcomes in the related functional areas. Please see *Table 1* for a summary of the remaining outcomes.

In the GAO Report to Congressional Committees dated April 2023,³ GAO concluded that the Department has fully addressed its Human Capital Management and Acquisition Management outcomes. The Department is committed to address its remaining unresolved outcomes while sustaining progress in the Acquisition Management and Human Capital Management areas.

GAO rates the Department’s outcomes progress using the following scale:

- **Fully Addressed:** Outcome is fully addressed.
- **Mostly Addressed:** Progress is significant, and a small amount of work remains.
- **Partially Addressed:** Progress is measurable, but significant work remains.
- **Initiated:** Activities have been initiated to address the outcome, but it is too early to report progress.

Table 1. Summary of DHS’s GAO Outcome Ratings by Functional Area (2024)

Functional Area	Total GAO Outcomes	Fully Addressed	Mostly Addressed	Partially Addressed	Initiated
Financial Management	8	2	0	3	3
Information Technology Management	6	5	0	1	0
Total as of March 2024	14	7	0	4	3

² Congress codified this practice by requiring DHS to report to GAO every six months. *National Defense Authorization Act for Fiscal Year 2017*, Public Law 114-328 § 1903(b) ((codified at 6 U.S.C. § 341(a)(11)), page 674.

³ GAO, Report to Congressional Committees: High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas (GAO-23-106203, April 2023).



Progress on GAO
High-Risk Outcomes



Financial Management (FM) Outcomes #2 and #4

Outcome Lead: Alyssa Smiley

Outcome Executive: Stacy Marcott

GAO Outcomes: (FM 2) - Obtain an unmodified opinion on internal control over financial reporting (ICOFR) to demonstrate effective internal controls; and (FM 4) - Sustain unmodified opinions for at least two consecutive years on ICOFR.

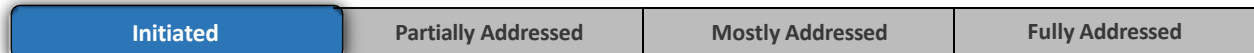
DHS Successes: DHS has proven its capacity and capability for strong financial reporting and management, as noted by eleven consecutive unmodified (“clean”) financial statement opinions and the reduction of material weaknesses from ten in 2006 down to two by 2021. Specifically, in FY 2020 DHS was able to fully remediate a long-standing significant deficiency over Property, Plant, and Equipment. Furthermore, the Department remediated the portion of the Financial Reporting material weakness associated with actuarial retirement liabilities – these liabilities totaled \$67.3 billion at the end of FY 2020 – roughly half of total DHS liabilities. In FY 2021, DHS downgraded the Journal Voucher and Beginning Balance deficiency from being a contributor to the Financial Reporting material weakness.

While additional challenge areas were noted in FY 2022 and FY 2023 that has resulted in a recent increase to five areas of material weakness being identified, DHS remains committed to resolving these deficiencies. Given this demonstrated record of success, DHS does not believe that the current modified opinion on ICOFR poses a substantial, unmitigated risk to successful financial management at DHS.

GAO 2023 Outcome Rating: FM 2



GAO 2023 Outcome Rating: FM 4



CURRENT STATUS

To advance to Fully Addressed for FM 2, DHS must obtain an unmodified opinion on ICOFR and demonstrate an effective system of internal controls. To achieve an unmodified opinion, DHS must reduce one of the outstanding areas of material weakness to a significant deficiency. Once the unmodified opinion is obtained, DHS plans to use the same risk-based approach used for FM 2 to sustain the unmodified opinion and advance FM 4.

DHS continues to make significant progress and achieved its eleventh unmodified audit opinion on the 2022 DHS financial statements and related footnotes. In addition, the sustainment of a “clean” financial statement opinion for over ten years provides continued evidence that DHS has implemented the internal control over financial reporting sufficient to ensure that year-end financial reporting is not materially misstated. Given this demonstrated record of success, DHS does not believe that the current modified opinion on ICOFR poses a substantial, unmitigated risk to successful financial management at DHS.

In FY 2021, management reported two areas of material weaknesses: 1) Financial Reporting and 2) Information Technology (IT) Controls and System Functionality. In FY 2022, DHS continued the ongoing remediation over these known areas of material weaknesses and worked



to resolve financial reporting deficiencies through targeted remediation.

In FY 2022, the United States Coast Guard (USCG) underwent a major financial systems modernization effort that included transitioning to a new financial management system, the Financial Systems Modernization Solution (FSMS), in December 2021 (see FM Outcome #6). Transition to a modernized financial system will have benefits for USCG financial operations and reporting going forward.

However, challenges with the initial USCG transition to FSMS from the legacy application has had substantial impacts to many of the Component's business processes. As a result, internal control over financial reporting deficiencies were identified and reported in FY 2022. In addition, the late fiscal year landfall of Hurricane Ian resulted in a large-scale Federal Emergency Management Agency (FEMA) response to assist the impacted region. Despite timing challenges, FEMA maintains focus on Hurricane Ian response and continues to support these efforts financially through grants, disaster loans, and flood insurance payments. While DHS continued remediation efforts in these areas, in FY 2023, an additional area of material weakness related to Seized and Forfeited Property was reported by the independent auditor. While DHS does not fully agree with the characterization of the new area of material weakness, the agency does recognize that internal controls over that process needs to be further strengthened. As a result, in FY 2023, DHS received a modified opinion on internal control over financial reporting that cited five areas of material weaknesses: 1) Information Technology Controls and Information Systems, 2) Financial Reporting, 3) Insurance Liabilities, 4) Receipt of Goods and Services, and 5) Seized and Forfeited Property Other than Monetary Instruments.

The Department's Chief Financial Officer (CFO) is executing a multi-year plan to achieve an unmodified "clean" ICOFR opinion. The Department recognizes remediation of the remaining areas of material weakness related to Financial Reporting and IT Controls and Information Systems will be the most challenging phase of the strategy to achieve a "clean" ICOFR opinion, due to the complexity resulting from DHS's many CFO-designated systems (with a combination of legacy systems as well as some in various stages of modernization), the need to rely on manual compensating controls in the interim, and the abundance of information and data utilized in DHS business process activities. The Department anticipates making substantial annual progress and continues to build upon its successful internal control enterprise approach, demonstrating incremental and sustainable progress each year, and remains collectively focused on obtaining an unmodified "clean" ICOFR opinion while also realizing additional time will be necessary. As such, DHS has adjusted the target date for an unmodified ICOFR opinion to FY 2028, dependent on the schedule for the FEMA financial system modernization effort.



OUTCOME ACTION PLAN ⁴		
Actions	Projected Date	Reason for change/notes
(FM 4) Sustain an unmodified (i.e., clean) opinion on internal control over financial reporting for two consecutive years (i.e., FY 2027 and FY 2028).	November 2029	Targeting a Fully Addressed rating. The independent auditor will issue its report for FY 2029 in November 2029.
(FM 4) Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2029	Components identify risks that could prevent sustainment of progress and develop appropriate risk response.
(FM 4) DHS CFO to oversee and review A-123 results.	March, June, and August 2029	DHS CFO incrementally reviews Component A-123 assessment results and sustains progress.
(FM 4) Demonstrate measurable progress by continuing to reduce weaknesses in internal control and business processes.	November 2028	Targeting a Mostly Addressed Rating The independent auditor will issue its report for FY 2028 in November 2028. This should be noted as “Mostly Addressed” when DHS FM 2 is noted as “Fully Addressed”. DHS proposes this Outcome be considered Mostly Addressed when all areas of material weakness have been reduced to a significant deficiency.
(FM 2) Obtain an unmodified (i.e., clean) opinion on internal control over financial reporting for FY 2027.	November 2028	Targeting a Fully Addressed rating. The independent auditor will issue its report for FY 2028 in November 2028. Adjusted date because of system modernization efforts planned as well as select, complex deficiencies taking longer to fix than originally anticipated. DHS proposes this outcome be considered Fully Addressed when no material weaknesses exist, and minimal significant deficiencies remain.
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2028	Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Review and validate Component completed remediation steps.	March, June, and August 2028	DHS CFO incrementally reviews and validates remediation steps completed by Components.
Work with Components to assess FY 2026 audit risks and develop corrective actions.	January/ February 2028	
(FM 4) Demonstrate measurable progress by continuing to reduce weaknesses in internal control and business processes.	November 2027	Targeting a Partially Addressed Rating. DHS proposes this Outcome be considered Partially Addressed when the Financial Reporting or IT material weakness area is reduced to a significant deficiency. This should be noted as

⁴ Only the most recent and significant updates have been included in this report. For a history of the Department’s progress in this area, please refer to past updates to the [Integrated Strategy \(https://www.dhs.gov/publication/dhs-integrated-strategy\)](https://www.dhs.gov/publication/dhs-integrated-strategy).



OUTCOME ACTION PLAN ⁴		
Actions	Projected Date	Reason for change/notes
		<p>“Partially Addressed” when DHS Financial Management Outcome #2 is noted as “Mostly Addressed”.</p> <p>DHS has designed a repeatable process to address the audit conditions. Enhanced audit scope and deficiencies highlighted related to Information Produced by the Entity that will take additional time to remediate.</p>
(FM 2) Demonstrate measurable progress by continuing to reduce weaknesses in internal control and business processes.	November 2027	<p>Targeting a Mostly Addressed rating.</p> <p>The independent auditor will issue its report for FY 2023 in November 2023.</p> <p>DHS expects to downgrade to only one remaining area of material weakness in FY 2027.</p> <p>DHS has designed a repeatable process to address the audit conditions and will be executing designed controls and testing to demonstrate effectiveness. DHS proposes this outcome be considered Mostly Addressed when the Financial Reporting or IT material weakness area is reduced to a significant deficiency.</p>
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2027	Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Review and validate Component completed remediation steps.	March, June, and August 2027	DHS CFO incrementally reviews and validates remediation steps completed by Components.
Work with Components to assess FY 2026 audit risks and develop corrective actions.	January and February 2027	DHS CFO works with Components to establish corrective actions based on risks identified.
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2026	Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Review and validate Component completed remediation steps.	March, June, and August 2026	DHS CFO incrementally reviews and validates remediation steps completed by Components.
Work with Components to assess FY 2025 audit risks and develop corrective actions.	January and February 2026	DHS CFO works with Components to establish corrective actions based on risks identified.
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2025	Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Review and validate Component completed remediation steps.	March, June, and August 2025	DHS CFO incrementally reviews and validates remediation steps completed by Components.
Work with Components to assess FY 2024 audit risks and develop corrective actions.	January and February 2025	DHS CFO works with Components to establish corrective actions based on risks identified.



OUTCOME ACTION PLAN ⁴		
Actions	Projected Date	Reason for change/notes
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2024	Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Review and validate Component completed remediation steps.	March, June, and August 2024	DHS CFO incrementally reviews and validates remediation steps completed by Components.
Work with Components to assess FY 2023 audit risks and develop corrective actions.	January and February 2024	Complete. DHS CFO works with Components to establish corrective actions based on risks identified.
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2023	Complete. Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Review and validate Component completed remediation steps.	March, June, and August 2023	Complete. DHS CFO incrementally reviews and validates remediation steps completed by Components.
DHS CFO will work with Components to assess FY 2022 audit risks and develop corrective actions.	January and February 2023	Complete. DHS CFO works with Components to establish corrective actions based on risks identified.
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2022	Complete. Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Review and validate Component completed remediation steps.	March, June, and August 2022	Complete. DHS CFO incrementally reviews and validates remediation steps completed by Components.
Work with Components to assess audit risks and develop corrective actions.	December 2021, January and February 2022	Complete. DHS CFO works with Components to establish corrective actions based on risks identified.



Financial Management Outcome #5

Outcome Lead: Alyssa Smiley

Outcome Executive: Stacy Marcott

GAO Outcome: Achieve substantial compliance with the *Federal Financial Management Improvement Act* of 1996 (FFMIA) as reported annually by its independent auditors in accordance with the Act.⁵

DHS Successes: DHS has proven its capacity and capability for strong financial reporting and management, as noted by ten consecutive unmodified (“clean”) financial statement opinions and the reduction of material weaknesses from ten in 2006 down to two by 2021. While additional challenge areas were noted in FY 2022 and FY 2023 that resulted in five areas of material weakness being identified, DHS remains committed to resolving these deficiencies. In coordination with modernizing the financial accounting system utilized by the USCG, additional challenges regarding FFMIA compliance were encountered. The FY 2023 independent auditor report noted areas of FFMIA noncompliance, but DHS was able to maintain its unmodified “clean” financial statement opinion for the eleventh consecutive year. Given this demonstrated record of success and dedicated commitment for additional remediation and control enhancements, DHS does not believe that the current modified opinion on ICOFR and remaining challenges with FFMIA pose a substantial, unmitigated risk to successful financial management at DHS.

GAO 2023 Outcome Rating

Initiated	Partially Addressed	Mostly Addressed	Fully Addressed
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CURRENT STATUS

FFMIA Section 803(a) requires that agency Federal financial management systems comply with (1) applicable Federal accounting standards; (2) Federal financial management system requirements; and (3) the USSGL at the transaction level. DHS monitors and assesses Component financial systems for compliance with FFMIA Section 803(a) requirements for its core financial management systems. In addressing compliance, DHS follows the Office of Management and Budget (OMB) Compliance Framework.⁶ The DHS CFO ensures procedures are in place to provide guidance that summary adjustments posted in the financial system(s) are traceable to the transaction source, and ensures Components accurately report instances of non-conformance to generally accepted accounting principles.

To further strengthen management, DHS, through a CFO/Chief Information Officer integrated approach and strategy, is conducting the following activities:

- Requiring Components to document necessary actions to remediate information technology (IT) security control weaknesses in their corrective action plans. The Department’s independent auditor reviews Component compliance with FFMIA annually.
- Continuing remediation efforts to downgrade the Financial Reporting and the IT weakness areas by FY 2028 to meet OMB Circular A-123 Appendix D requirement for complying with FFMIA.

⁵ *Federal Financial Management Improvement Act (FFMIA)*, Congress Public Law No. 104-208, 104th, September 30, 1996.

⁶ Office of Management and Budget, *Management’s Responsibility for Internal Control, OMB Circular A-123* (Washington, D.C.: September 20, 2013), *Appendix D, Compliance with the Federal Financial Management Improvement Act of 1996*.



- Assessing the Department's FFMIA compliance utilizing the compliance framework as outlined in OMB Circular A-123. DHS plans to be FFMIA-compliant by FY 2028, as the Department expects to remediate the IT and Financial Reporting areas of material weakness by then, as well as achieve compliance with the Federal Information Security Modernization Act of 2014 (FISMA).

For FY 2024, Components have submitted commitment letters to the DHS leadership highlighting each Component’s plan and timeline to perform / submit assessment and remediation deliverables in support of the ICOFR business processes. In addition, the commitment letter coverage related to CFO Designated Systems is currently in process and should be completed by April 2024. Remediation and assessment efforts are ongoing in support of the Department’s find, fix, test, and assert strategy.

- Based on the most current DHS Office of Inspector General (OIG) assessment and report regarding the FISMA requirements, [Evaluation of DHS’ Information Security Program for Fiscal Year 2022](#), DHS’s information security program was rated as “effective” to protect the information and information systems that support DHS’s operations and assets for FY 2022.

OUTCOME ACTION PLAN		
Actions	Projected Date	Reason for change/notes
Substantially comply with the requirements of FFMIA as reported by the independent auditor.	November 2028	Targeting a Fully Addressed rating. The independent auditor will issue its report for FY 2028 in November 2028. The Department proposes this outcome be considered Fully Addressed when DHS downgrades the material weaknesses in Financial Reporting and in IT, to satisfy the FFMIA requirement regarding Federal financial management system requirements, based on OMB’s updates to Circular A-123.
Components re-evaluate risks to sustain a clean audit opinion and reduce weaknesses in internal control and business processes.	March, June, and August 2028	Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Conduct quarterly risk assessments and incorporate results into Component risk management plans through recurring quarterly meetings.	December 2026; April and July 2028	Risk assessment meetings track progress being made on areas needing most improvement, or areas that would significantly impact ability to reduce weaknesses in internal control and business processes.
DHS CFO to engage with Component CFOs to review the status of addressing audit findings, risks, and mitigation strategies.	December 2026 through August 2028	Monthly action conducted each year.
The Independent Auditor’s Report notes further improvement in Component FFMIA compliance and indicates a reduction in the number of Components contributing to the IT and Financial Reporting conditions.	November 2027	Targeting a Mostly Addressed Rating. The independent auditor will issue its report for FY 2027 in November 2027. DHS proposes this Outcome be considered Mostly Addressed when the Financial Reporting or IT material weakness area is reduced to a significant deficiency.



OUTCOME ACTION PLAN		
Actions	Projected Date	Reason for change/notes
		Based on the DHS strategy and Component plans to resolve existing deficiencies, DHS is targeting to reduce the Financial Reporting area of material weakness in FY 2027.
Components re-evaluate risks to sustain a clean audit opinion and reduce weaknesses in internal control and business processes.	March, June, and August 2027	Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Conduct quarterly risk assessments and incorporate results into Component risk management plans through recurring quarterly meetings.	December 2025; April and July 2027	Risk assessment meetings track progress being made on areas needing most improvement, or areas that would significantly impact ability to reduce weaknesses in internal control and business processes.
DHS CFO to engage with Component CFOs to review the status of addressing audit findings, risks, and mitigation strategies.	December 2025 through August 2027	Monthly action conducted each year.
Components re-evaluate risks to sustain a clean audit opinion and reduce weaknesses in internal control and business processes.	March, June, and August 2026	Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Conduct quarterly risk assessments and incorporate results into Component risk management plans through recurring quarterly meetings.	December 2025; April and July 2026	Risk assessment meetings track progress being made on areas needing most improvement, or areas that would significantly impact ability to reduce weaknesses in internal control and business processes.
DHS CFO to engage with Component CFOs to review the status of addressing audit findings, risks, and mitigation strategies.	December 2025 through August 2026	Monthly action conducted each year.
Components re-evaluate risks to sustain a clean audit opinion and reduce weaknesses in internal control and business processes.	March, June, and August 2025	Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Conduct quarterly risk assessments and incorporate results into Component risk management plans through recurring quarterly meetings.	December 2024; April and July 2025	Risk assessment meetings track progress being made on areas needing most improvement, or areas that would significantly impact ability to reduce weaknesses in internal control and business processes.
DHS CFO to engage with Component CFOs to review the status of addressing audit findings, risks, and mitigation strategies.	December 2024 through August 2025	Monthly action conducted each year.
Components re-evaluate risks to sustain a clean audit opinion and reduce weaknesses in internal control and business processes.	March, June, and August 2024	Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.



OUTCOME ACTION PLAN		
Actions	Projected Date	Reason for change/notes
Conduct quarterly risk assessments and incorporate results into Component risk management plans through recurring quarterly meetings.	December 2023; April and July 2024	In Progress. Risk assessment meetings track progress being made on areas needing most improvement, or areas that would significantly impact ability to reduce weaknesses in internal control and business processes.
DHS CFO to engage with Component CFOs to review the status of addressing audit findings, risks, and mitigation strategies.	December 2023 through August 2024	In Progress. Monthly action conducted each year.
Components re-evaluate risks to sustain a clean audit opinion and reduce weaknesses in internal control and business processes.	March, June, and August 2023	Completed. Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Conduct quarterly risk assessments and incorporate results into Component risk management plans through recurring quarterly meetings.	December 2022; April and July 2023	Completed. Risk assessment meetings track progress being made on areas needing most improvement, or areas that would significantly impact ability to reduce weaknesses in internal control and business processes.
DHS CFO to engage with Component CFOs to review the status of addressing audit findings, risks, and mitigation strategies.	December 2022 through August 2023	Completed. Monthly action conducted each year.
Components re-evaluate risks to sustain a clean audit opinion and reduce weaknesses in internal control and business processes.	March, June, and August 2022	Completed. Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring (conducted each year).
Conduct quarterly risk assessments and incorporate results into Component risk management plans through recurring quarterly meetings.	December 2021; April and July 2022	Completed (conducted each year).
The Independent Auditor's Report notes further improvement in Component FFMIA compliance and indicates a reduction in the number of Components contributing to the IT and Financial Reporting conditions.	November 2016	Completed November 2020. While DHS had planned to clear the Financial Reporting material weakness in the FY 2020 audit report, both the Financial Reporting and Information Technology material weaknesses remain. However, DHS was able to clear the Property, Plant, and Equipment significant deficiency and removed a Component from contributing to the IT area of material weakness.



Financial Management Outcomes #6–8

Outcome Lead: Jeffrey Bobich

Outcome Executive: Stacy Marcott

GAO Outcomes: Effectively manage the implementation of a financial management system solution or modernization of existing systems for USCG and its customers; FEMA; and U.S. Immigration and Customs Enforcement (ICE) and its customers by:

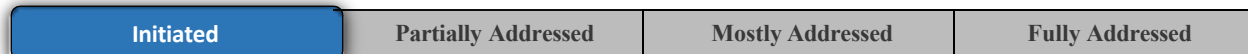
- Applying rigorous and disciplined IT acquisition management processes throughout the program/project lifecycle that is consistent with software engineering best practices. These steps will help to ensure that the systems meet expected capabilities/requirements and associated mission benefits.
- Implementing oversight mechanisms to monitor contractors or service providers selected to implement the solution or modernize the existing systems. These steps will help to ensure that actual cost, schedule, and performance are within established threshold baselines, and variances are identified, tracked, and addressed.

DHS Successes: DHS successfully completed modernization for the first “Trio” of Components – Countering Weapons of Mass Destruction Office (CWMD), Transportation Security Administration (TSA), and USCG – using a rigorous and disciplined acquisition management process with strong oversight and monitoring of contractors. DHS has sustained an unmodified financial statement audit opinion for eleven consecutive years – including the years of the CWMD, TSA, and USCG modernizations. Given this demonstrated record of success, we will continue to be successful with FEMA and ICE modernization. While challenging, these programs are not a risk to successful financial management at DHS – FEMA and ICE have been able to produce accurate, auditable financial data and perform their missions despite their outdated systems.

GAO 2023 Outcome Rating: FM 6 (USCG)



GAO 2023 Outcome Rating: FM 7 (FEMA) and 8 (ICE and ICE Customers)



CURRENT STATUS

DHS consolidated action plans for financial systems modernization (FSM) efforts into a single plan that reflects the Department’s consolidated strategy and program management approach.

USCG (FM 6):

In December 2021, DHS provided GAO notice of USCG’s completed transition to the new financial system and requested GAO update the status of FM 6 to “Fully Addressed.” In July 2022, GAO stated that they are waiting on the FY 2022 USCG audit report and results from the full operating capability assessment before deciding to change the status of this outcome. At the end of FY 2022, DHS (including USCG) achieved an unmodified (clean) financial statement audit opinion. However, due to functionality gaps the FSM Trio Program was unable to declare that it had reached Full Operational Capability (FOC). A deliberate process to identify and resolve system and functionality weaknesses is in progress. The financial systems modernization program management office has contracted an independent study and based on the report, we are taking



remediation steps to address the identified issues. We have targeted to complete Follow-on Test & Evaluation (FOT&E) and declare FOC by August 2025. Outcome 6 will be fully addressed when we achieve FOC.

FEMA (FM 7):

After DHS awarded the system integrator task order in September 2023 for the FSM FEMA program and acquired cloud hosting services, the program onboarded system integrator contractors and stood up a demonstration system. The demonstration system is currently operated and supports the initial “Discovery” workshops with FEMA functional experts used to assess the degree to which standard application functionality support FEMA business processes and the types of configurations needed to fully implement requirements. These workshops began in January 2024 and are expected to complete in June 2024. Outputs from these activities will be used to complete the Planning phase of the DHS Systems Engineering Lifecycle and prepare for approval of the Acquisition Lifecycle Obtain phase (ADE-2A acquisition review) in September 2024.

ICE and ICE Customers (FM 8):

The procurement process to select the integration service provider for ICE is currently in progress. DHS awarded software task orders in November 2022. Subsequent to award, a protest was filed but resolved favorably in January 2023. DHS awarded the integration task order in September 2023, with a subsequent protest received and sustained. DHS is currently in the process of executing corrective action. DHS plans to conduct a discovery process in FY 2025. Implementation plans, with key milestone dates, will be an output from that process.

OUTCOME ACTION PLAN		
Actions	Projected Date	Reason for change/notes
FM 6		
FOC Declaration	August 2025	Targeting a Fully Addressed rating. Confirmation by the Acquisition Decision Authority that FOC/Acquisition Decision Event-3 (ADE-3) has been achieved. At this point, Outcome 6 will be Fully Addressed.
Conduct Operational Test and Evaluation	July 2025	Determines operational effectiveness and suitability.
Conduct Adversarial Assessment	May 2025	Determines cyber resilience.
Conduct Operational Assessment	March 2025	Helps determine operational effectiveness and suitability supporting the Operational Test Readiness Review and a decision to go to Follow-on Test & Evaluation.
Conduct Cooperative Vulnerability and Penetration Assessment	February 2025	Helps determine cyber resilience.
Conduct Cyber Tabletop Exercise	January 2025	Helps determine cyber resilience.
Complete Performance Upgrades	December 2024	Incorporates recommendations from the Homeland Security Systems Engineering and Development Institute report including: (1) Obtain consensus among stakeholders for FOC definition and criteria, and (2) resolve the cyber resilience issues.



OUTCOME ACTION PLAN		
Actions	Projected Date	Reason for change/notes
Complete Software Development for Pain Point Index Items	December 2024	Addresses specific functionality issues identified by Trio stakeholders.
Update Test and Evaluation Master Plan	June 2024	To adjust future testing methodology supporting system updates and incorporate lessons learned.
Complete Linux Update	May 2024	For system compliance and performance upgrades to address cyber resilience issues.
Update Acquisition Program Baseline	May 2024	Re-baseline the program to the new schedule and cost indexes.
Update Life Cycle Cost Estimate	April 2024	Update Life Cycle Cost Estimate to capture actual costs and savings, add additional testing cost for a second round of operational testing and new testing based on Line of Accounting recommendations as well as adjusting cost sharing model.
Update Integrated Logistics Support Plan	March 2024	Update supportability to take account of changing the System Integrator as well as future support plans for FSM Trio.
Update the Test and Evaluation Strategy	March 2024	To adjust future testing methodology supporting system updates and incorporate lessons learned.
USCG completes migration of their financial management systems.	October 2021	Completed December 2021. USCG migration is complete, and financial management activities are now being performed on a modern system.
FM 7		
FEMA completes migration of their financial management systems.	TBD	Targeting a Fully Addressed rating for GAO Outcome FM 7. FEMA schedule will be confirmed at the end of the Discovery Process.
FEMA go live.	TBD	The To-Be system for FEMA will become operational.
FEMA Program status review.	TBD	Component will present documentation to support that the solution is ready for deployment and support.
FEMA Data conversion and migration.	TBD	Data will be incorporated from old to new system.
FEMA Training.	TBD	End users will receive new system and business process training.
FEMA Test and acceptance.	TBD	End users will test and accept system software based on their requirements and approved test plans.
Complete configuration and interfaces for FEMA.	TBD	System integrator will configure system software to meet requirements.



OUTCOME ACTION PLAN		
Actions	Projected Date	Reason for change/notes
Perform Integrated Baseline Review	December 2024	DHS and system integrator mutually understand program scope, schedule, and risks, and confirm that the baseline's budget and schedule are adequate for performing implementation.
Complete acquisition program baseline planning; conduct gate reviews for Obtain phase.	September 2024	Complete planning artifacts to support Program Planning, Enterprise Architecture, and Acquisition Reviews for ADE- 2A. At this point in time, we will have projected dates for all actions marked as TBD above.
Complete discovery workshops.	June 2024	System integrator engages FEMA customer subject matter experts in agreeing on system design requirements.
Stand up and configure demonstration system.	November 2023	Completed January 2024. Security approvals delayed installation and configuration of demo system.
Select the system integrator.	January 2023	Completed September 2023. Changes to procurement schedules to maximize alignment between the FEMA and ICE modernization projects. FEMA program selected the System Integrator.
Select the software.	October 2022	Completed January 2023. A task order was awarded in November 2022. A protest was resolved in January 2023.
Strategic Sourcing Software Licensing vehicle.	TBD	Completed February 2022. Enterprise Financial Management Software (EFIMS) was awarded in September 2021. A protest was resolved in February 2022.
Strategic Sourcing System Integration (SI) vehicle.	Q2 FY 2020	Completed March 2021. Enterprise Financial Systems Integrator (EFSI) vehicle was awarded November 2020, and protest resolved favorably in March 2021.
FM 8		
ICE and other ICE Customers (i.e., CISA, S&T, and DHS HQ) complete migration of their financial management systems.	TBD	Targeting a Fully Addressed rating for GAO Outcome FM 8.
ICE and other ICE Customers go live.	TBD	The To Be system for Components will become operational.
ICE and other ICE Customers Program status review.	TBD	Components will present documentation to support that the solution is ready for deployment and support.
ICE and other ICE Customers Data conversion and migration.	TBD	Data will be incorporated from old to new system.
ICE and other ICE Customers Training.	TBD	End users will receive new system and business process training.



OUTCOME ACTION PLAN		
Actions	Projected Date	Reason for change/notes
ICE and other ICE Customers Test and acceptance.	TBD	End users will test and accept system software based on their requirements and approved test plans.
DHS completes configuration and interfaces for ICE and other ICE Customers.	TBD	System provider will configure system software to meet requirements.
USCIS complete migration of their financial management systems.	TBD	Targeting a Partially Addressed rating for GAO Outcome FM 8. USCIS will be the first ICE Customer to pilot the financial management system. The Fully Addressed rating for GAO Outcome FM 8 will occur once ICE and other ICE Customers (i.e., CISA, S&T, and DMO) migrate to the new financial management system.
USCIS go live.	TBD	The To Be system for Component will become operational.
USCIS Program status review.	TBD	Component will present documentation to support that the solution is ready for deployment and support.
USCIS Data conversion and migration.	TBD	Data will be incorporated from old to new system.
USCIS Training.	TBD	End users will receive new system and business process training.
USCIS Test and acceptance.	TBD	End users will test and accept system software based on their requirements and approved test plans.
DHS completes configuration and interfaces for USCIS.	TBD	System provider will configure system software to meet requirements.
Perform Integrated Baseline Review	TBD	DHS and system integrator mutually understand program scope, schedule, and risks, and confirm that the baseline's budget and schedule are adequate for performing implementation.
Complete acquisition program baseline planning; conduct gate reviews for Obtain phase.	TBD	Complete planning artifacts to support Program Planning, Enterprise Architecture, and Acquisition Reviews for ADE-2A.
Complete discovery workshops.	TBD	System integrator engages Cube Component customer subject matter experts in agreeing on system design requirements.
Stand up and configure demonstration system.	TBD	Assess the degree to which standard application functionality support business processes and the types of configurations needed to fully implement requirements.



OUTCOME ACTION PLAN		
Actions	Projected Date	Reason for change/notes
Select the system integrator.	January 2023	Completed September 2023. Changes to procurement schedules to maximize alignment between the FEMA and ICE modernization projects. Award protest sustained, pending corrective action.
Select the software.	October 2022	Completed January 2023. A task order was awarded in November 2022. A protest was resolved in January 2023.
Strategic Sourcing Software Licensing vehicle.	TBD	Completed February 2022. Enterprise Financial Management Software (EFIMS) was awarded in September 2021. A protest was resolved in February 2022.
Strategic Sourcing System Integration vehicle.	Q2 FY 2020	Completed March 2021. Enterprise Financial Systems Integrator (EFSI) vehicle was awarded November 2020, and protest resolved favorably in March 2021.



IT Management Outcome #6

Outcome Lead: Kenneth Bible

Outcome Executive: Eric Hysen

GAO Outcome: Enhance IT Security – Establish enhanced security of the Department’s internal IT systems and networks as evidenced by:

- Demonstrating measurable progress in achieving effective information system controls by downgrading the Department’s material weakness in financial systems security to a significant deficiency for two consecutive years and reducing the deficiencies that contribute to the significant deficiency, as reported by the independent auditors of the Department’s financial statements.
- Implementing the federal desktop core configuration on applicable devices and instances across Components, as determined by an independent assessment.
- Promptly developing remedial action plans and demonstrating sustained progress mitigating known vulnerabilities based on risk, as determined by an independent assessment.
- Implementing key security controls and activities, as independently assessed by the Office of Inspector General or external auditor based on FISMA reporting requirements.

DHS Successes: The DHS Office of the Chief Information Officer (OCIO) has fully addressed five of the six outcomes for IT and has made progress toward resolution of the outcome. At the same time, OCIO has rapidly deployed a series of technical solutions to meet emerging priorities across the Department, as well as steadily introducing key programs to integrate functions across the Enterprise. One example is the Unified Cybersecurity Maturity Model (UCMM). DHS has implemented a UCMM framework to align cybersecurity spending and new cybersecurity capability requests to critical cybersecurity domains and current initiatives, further improving alignment between DHS and National Security Strategies. The UCMM framework has been key in aligning recovery actions from the SolarWinds Incident and guiding implementation of critical cybersecurity capabilities and above guidance requests. Going forward, the framework provides a means to guide cybersecurity maturity level measurement for the Department.

More recently, UCMM has been enhanced to provide a prioritized view of the risks posed by control implementation failures for all systems in the Department. This automated risk prioritization allows for system teams and Information System Security Officers to collaborate to optimize time spent in remediating system deficiencies to provide the best achievable system maturity with the least time and expenditures. This added UCMM capability has had a direct and substantial impact on the overall Department’s maturity, and DHS expects that trend to continue.

In collaboration with the Office of the Chief Human Capital Officer, OCIO assisted in the development of the Cyber Talent Management System (CTMS). CTMS is a new mission-driven, person-focused, market-sensitive approach to hiring, compensating, and developing cybersecurity talent throughout the DHS Cybersecurity Service. With the launch of CTMS, DHS has begun to hire, compensate, and develop DHS Cybersecurity Service employees to work across the Department in a range of cybersecurity specializations. CTMS has opened new options and strategies for staffing critical cybersecurity work, providing DHS Components with processes focusing on talent quality, and maintaining cybersecurity mission readiness.



GAO 2023 Outcome Rating

Initiated	Partially Addressed	Mostly Addressed	Fully Addressed
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CURRENT STATUS

As previously agreed with GAO, to reach Fully Addressed, DHS must achieve and sustain a downgrade of its material weakness in financial systems security to a significant deficiency for two consecutive years. The Department has implemented continuous monitoring of progress against the remediation work plan, identifying critical milestones, addressing audit risks, and reviewing mitigation strategies.

OUTCOME ACTION PLAN

Actions	Projected Date	Reason for Change/Notes
Achieve and sustain “significant deficiency” status or less for two consecutive years (i.e., FY 2028 and 2029).	November 2029	Targeting a Fully Addressed Rating. The independent auditor will issue its report for FY 2029 in November 2029. Adjusted date as IT deficiencies are taking longer to address than originally anticipated.
Complete actions to address five (5) recommendations contained in the OIG FY 2019 FISMA report (OIG-20-77).	April 2024	OIG closed recommendations 1 and 3 on March 14, 2024. OCIO is submitting documentation to close recommendation 2 in April 2024. Recommendation 2 is open and resolved, and recommendations 1, 3, 4 and 5 are closed and resolved.



**GAO High-Risk
Ratings Summary**



Summary of DHS Ratings on GAO High-Risk Outcomes and Criteria

Functional Area	GAO Outcome	2021 GAO Ratings ⁷	2023 GAO Ratings ⁷
FM 1	Clean opinion on all financial statements	Fully Addressed	Fully Addressed
FM 2	Clean opinion on internal controls	Partially Addressed	Partially Addressed
FM 3	Clean opinions for two years	Fully Addressed	Fully Addressed
FM 4	Clean opinions for two years on internal controls	Initiated	Initiated
FM 5	Compliance with FFMIA	Partially Addressed	Partially Addressed
FM 6	USCG Financial Systems Modernization	Partially Addressed	Partially Addressed
FM 7	FEMA Financial Systems Modernization	Initiated	Initiated
FM 8	ICE Financial Systems Modernization	Initiated	Initiated
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ITM 6	Enhance IT Security	Mostly Addressed	Partially Addressed

GAO Criteria	Definition	2023 GAO Ratings ⁸
Leadership Commitment	Demonstrated strong commitment and top leadership support.	Met
Capacity	Agency has the capacity (i.e., people and resources) to resolve the risk(s).	Partially Met
Action Plan	A corrective action plan exists that defines the root cause, solutions, and provides for substantially completing corrective measures, including steps necessary to implement solutions [GAO] recommended.	Met
Monitoring	A program has been instituted to monitor and independently validate the effectiveness and sustainability of corrective measures.	Met
Demonstrated Progress	Ability to demonstrate progress in implementing corrective measures and in resolving the high-risk area.	Partially Met

Fully Addressed or Met	Mostly Addressed or Partially Met
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⁷ GAO rates DHS’s progress using the following scale: **Fully Addressed** – Outcome is fully addressed; **Mostly Addressed** – Progress is significant, and a small amount of work remains; **Partially Addressed** – Progress is measurable, but significant work remains; **Initiated** – Activities have been initiated to address the outcome, but it is too early to report progress. (Sources: GAO-21-119SP and GAO-23-106203).

⁸ Rating definitions are as follows: **Met** – Actions have been taken that meet the criterion. There are no significant actions that need to be taken to further address this criterion; **Partially Met** – Some, but not all, actions necessary to meet the criterion have been taken; **Not Met** – Few, if any, actions towards meeting the criterion have been taken. (Source: GAO-23-106203).