Other Information

Citizenship Naturalization Ceremony

The ***Other Information*** section contains information on Tax Burden/Tax Gap, Combined Schedule of Spending, Summary of Financial Statement Audit and Management Assurances, Payment Integrity, Fraud Reduction, Reduce the Footprint, and Other Key Regulatory Requirements. Also included in this section are the OIG's Summary of Major Management and Performance Challenges Facing the Department of Homeland Security and Management's Response.

Unaudited, see accompanying Auditors' Report

Tax Burden/Tax Gap

Revenue Gap

The Entry Summary of Trade Compliance Measurement (TCM) program collects objective statistical data to determine the compliance level of commercial imports with U.S. trade laws, regulations and agreements, and is used to produce a dollar amount for Estimated Net Under-Collections, and a percent of Revenue Gap. The Revenue Gap is a calculated estimate that measures potential loss of revenue owing to noncompliance with trade laws, regulations, and trade agreements using a statistically valid sample of the revenue losses and overpayments detected during TCM entry summary reviews conducted throughout the year.

Entry Summary of Trade Compliance Measurement
($ in millions)

	FY 2017 (Preliminary)	FY 2016 (Final)
Estimated Revenue Gap	$384.7	$697.2
Preliminary Revenue Gap of all collectable revenue for year (%)	0.95%	1.53%
Estimated Over-Collection	$44.4	$82.8
Estimated Under-Collection	$429.1	$780.0
Overall Trade Compliance Rate (%)	99.4%	98.9%

The preliminary overall compliance rate for Fiscal Year (FY) 2017 is 99.4 percent. The final overall trade compliance rate and estimated revenue gap for FY 2017 will be issued in February 2018.

Combined Schedule of Spending

The Combined Schedule of Spending (SOS) presents an overview of how departments or agencies are spending money. The SOS presents combined budgetary resources and obligations incurred for the reporting entity. Obligations incurred reflect an agreement to either pay for goods and services, or provide financial assistance once agreed upon conditions are met. The data used to populate this schedule is the same underlying data used to populate the Statement of Budgetary Resources (SBR). Simplified terms are used to improve the public's understanding of the budgetary accounting terminology used in the SBR.

What Money is Available to Spend? This section presents resources that were available to spend as reported in the SBR.

- ***Total Resources*** refers to total budgetary resources as described in the SBR and represents amounts approved for spending by law.
- ***Amounts Not Agreed to be Spent*** represents amounts that the Department was allowed to spend but did not take action to spend by the end of the fiscal year.
- ***Amounts Not Available to Spend*** represents amounts that the Department was not approved to spend during the current fiscal year.
- ***Total Amounts Agreed to be Spent*** represents amounts that the Department has made arrangements to pay for goods or services through contracts, orders, grants, or other legally binding agreements of the Federal Government. This line total agrees to the Obligations Incurred line in the SBR.

How was the Money Spent/Issued? This section presents services or items that were purchased, categorized by Components. Those Components that have a material impact on the SBR are presented separately. Other Components are summarized under Directorates and Other Components, which includes the Domestic Nuclear Detection Office (DNDO), the Federal Law Enforcement Training Center (FLETC), the Office of Intelligence and Analysis (I&A), the Office of Operations Coordination (OPS), the Management Directorate (MGMT), the Office of Health Affairs (OHA), the Office of Inspector General (OIG), the National Protection and Programs Directorate (NPPD), the Science and Technology Directorate (S&T), U.S. Citizenship and Immigration Services (USCIS), and the U.S. Secret Service (USSS).

For purposes of this schedule, the breakdown of "How Was the Money Spent/Issued" is based on the Office of Management and Budget (OMB) definitions for budget object class found in OMB Circular A-11.

- ***Personnel Compensation and Benefits*** represents compensation, including benefits directly related to duties performed for the government by federal civilian employees, military personnel, and non-federal personnel.
- ***Contractual Service and Supplies*** represents purchases of contractual services and supplies. It includes items like transportation of persons and things, rent, communications, utilities, printing and reproduction, advisory and assistance services, operation and maintenance of facilities, research and development, medical care, operation and maintenance of equipment, subsistence and support of persons, and purchase of supplies and materials.

- ***Acquisition of Assets*** represents the purchase of equipment, land, structures, investments, and loans.
- ***Grants, Subsidies, and Contributions*** represents, in general, funds to states, local governments, foreign governments, corporations, associations (domestic and international), and individuals for compliance with such programs allowed by law to distribute funds in this manner.
- ***Insurance, Refunds, and Other Spending*** represents benefits from insurance and federal retirement trust funds, interest, dividends, refunds, unvouchered or undistributed charges, and financial transfers.

Who did the Money Go To? This section identifies the recipient of the money, by federal and non-federal entities. Amounts in this section reflect "amounts agreed to be spent" and agree to the Obligations Incurred line on the SBR.

The Department encourages public feedback on the presentation of this schedule. Feedback may be sent via email to par@hq.dhs.gov.

Department of Homeland Security
Combined Schedule of Spending
For the Years Ended September 30, 2017 and 2016
(In Millions)

	2017	2016
What Money is Available to Spend?		
Total Resources	$ 101,963	$ 88,113
Less Amount Available but Not Agreed to be Spent	(16,598)	(10,287)
Less Amount Not Available to be Spent	(3,478)	(3,191)
TOTAL AMOUNT AGREED TO BE SPENT	**$ 81,887**	**$ 74,635**
How Was the Money Spent/Issued?		
U.S. Customs and Border Protection		
Personnel Compensation and Benefits	$ 11,107	$ 10,866
Contractual Services and Supplies	3,948	3,864
Acquisition of Assets	1,372	1,002
Insurance, Refunds, and Other Spending	1,798	2,047
Total Spending	**18,225**	**17,779**
U.S. Coast Guard		
Personnel Compensation and Benefits	5,526	5,408
Contractual Services and Supplies	4,575	4,396
Acquisition of Assets	1,215	887
Grants, Subsidies, and Contributions	115	43
Insurance, Refunds, and Other Spending	18	5
Total Spending	**11,449**	**10,739**

(Continued)

Department of Homeland Security
Combined Schedule of Spending
For the Years Ended September 30, 2017 and 2016
(In Millions)

	2017	2016
Federal Emergency Management Agency		
Personnel Compensation and Benefits	1,393	1,225
Contractual Services and Supplies	7,101	2,000
Acquisition of Assets	581	360
Grants, Subsidies, and Contributions	8,921	11,427
Insurance, Refunds, and Other Spending	6,356	3,956
Total Spending	**24,352**	**18,968**
U.S. Immigration and Customs Enforcement		
Personnel Compensation and Benefits	3,292	3,102
Contractual Services and Supplies	3,617	3,142
Acquisition of Assets	205	150
Insurance, Refunds, and Other Spending	51	37
Total Spending	**7,165**	**6,431**
Transportation Security Administration		
Personnel Compensation and Benefits	4,979	4,794
Contractual Services and Supplies	2,429	2,645
Acquisition of Assets	191	192
Grants, Subsidies, and Contributions	80	84
Insurance, Refunds, and Other Spending	4	4
Total Spending	**7,683**	**7,719**
Directorates and Other Components		
Personnel Compensation and Benefits	4,828	4,528
Contractual Services and Supplies	7,450	7,752
Acquisition of Assets	606	567
Grants, Subsidies, and Contributions	103	149
Insurance, Refunds, and Other Spending	26	3
Total Spending	**13,013**	**12,999**
Department Totals		
Personnel Compensation and Benefits	31,125	29,923
Contractual Services and Supplies	29,120	23,799
Acquisition of Assets	4,170	3,158
Grants, Subsidies, and Contributions	9,219	11,703
Insurance, Refunds, and Other Spending	8,253	6,052
TOTAL AMOUNT AGREED TO BE SPENT	**$ 81,887**	**$ 74,635**
Who Did the Money Go To?		
Non-Federal Governments, Individuals and Organizations	$ 61,825	$ 61,654
Federal Agencies	20,062	12,981
TOTAL AMOUNT AGREED TO BE SPENT	**$ 81,887**	**$ 74,635**

Summary of Financial Statement Audit and Management Assurances

Table 3 and Table 4 below provide a summary of the financial statement audit results and management assurances for FY 2017.

Table 3: Summary of the Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting	1	0	0	0	1
IT Controls & System Functionality	1	0	0	0	1
Property, Plant & Equipment	1	0	1	0	0
Total Material Weaknesses	**3**	**0**	**1**	**0**	**2**

For FY 2017, the Independent Auditors' Report on the integrated financial statement audit identified two material weakness conditions at the Department level. Consistent with the Independent Auditor's Report, the Department is providing reasonable assurance on internal control over financial reporting, with the exception of two material weaknesses as identified in Table 4 as of September 30, 2017. Management has performed its evaluation, and the assurance is provided based upon the cumulative assessment work performed on Entity Level Controls, Financial Reporting, Budgetary Resources, Fund Balance with Treasury, Human Resources and Payroll Management, Payment Management, Insurance Management, Grants Management, Property Plant and Equipment, Revenue and Receivables, and Information Technology General Controls across the Department. DHS has remediation work to continue in FY 2018; however, no additional material weaknesses were identified as a result of the assessment work performed in FY 2017. The following table provides those areas where material weaknesses were identified and remediation work continues.

Table 4: Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA SECTION 2)					
Statement of Assurance	Modified				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting	1	0	0	0	1
IT Controls & System Functionality	1	0	0	0	1
Property, Plant & Equipment	1	0	1	0	0
Total Material Weaknesses	**3**	**0**	**1**	**0**	**2**
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA SECTION 2)					
Statement of Assurance	Unmodified				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None Noted	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**

COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT SYSTEMS REQUIREMENTS (FMFIA SECTION 4)					
Statement of Assurance	Systems do not fully conform with financial system requirements				
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Federal Financial Management Systems Requirements, including Financial Systems Security & Integrate Financial Management Systems.	1	0	0	0	1
Noncompliance with the U.S. Standard General Ledger	1	0	0	0	1
Federal Accounting Standards	1	0	0	0	1
Total Non-Conformances	**3**	**0**	**0**	**0**	**3**

COMPLIANCE WITH SECTION 803(a) OF THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)		
	DHS	Auditor
Federal Financial Management System Requirements	Lack of compliance noted	Lack of compliance noted
Applicable Federal Accounting Standards	Lack of compliance noted	Lack of compliance noted
USSGL at Transaction Level	Lack of compliance noted	Lack of compliance noted

Payment Integrity

The Improper Payments Information Act of 2002 (IPIA) (Pub. L. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) (Pub. L. 111-204) and Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA); (Pub. L. 112-248), requires agencies to review and assess all programs and activities they administer and identify those determined to be susceptible to significant improper payments, estimate the annual amount of improper payments, and submit those estimates to Congress. A program with significant improper payments (or a high-risk program) has both a 1.5 percent improper rate and at least $10 million in improper payments, or exceeds $100 million dollars regardless of the error rate. Additionally, federal agencies are required to reduce improper payments and report annually on their efforts according to OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*.

The Department performs risk assessments to determine susceptibility to improper payments, testing to estimate the rates and amounts of improper payment, establishes improper payment reduction targets in accordance with OMB guidance, and develops and implements corrective actions. In addition to this report, more detailed information on the Department's improper payments and information reported in previous Agency Financial Reports (AFR) can be found at https://paymentaccuracy.gov/.

In FY 2017, the Department made significant progress to improve its processes to comply with IPERA. The Department has successfully reduced estimated improper payment rates over the years from an average estimated improper payment rate of 1.3 percent in FY 2013 to 0.89 percent in FY 2017. In FY 2017, the OIG conducted an annual audit to determine whether the Department complied with IPERA as reported in the FY 2016 AFR. The OIG concluded DHS did not fully comply because it did not meet its annual reduction targets established by within 0.1 percent for seven of 15 programs deemed susceptible to significant improper payments. For FY2017 reporting, DHS met established reduction targets for eight of the ten programs deemed susceptible to significant improper payments due to continued corrective action efforts and sustained internal controls. We remain strongly committed to ensuring our agency's transparency and accountability to the American taxpayer and achieving the most cost effective strategy on the reduction of improper payments.

1. Risk Assessments

In accordance with IPERA Section 2(a), agency heads are required to periodically review all programs and activities that the relevant agency head administers and identify all programs and activities that may be susceptible to significant improper payments, and perform the review at least once every three years.

In FY 2017, the Department established a two part process comprised of a preliminary assessment followed by a comprehensive assessment if necessary. The preliminary risk assessment process is used on all programs not already reporting an improper payment estimate. The comprehensive risk assessment process is required based on the preliminary risk assessment results and the program's three year risk assessment cycle.

In FY 2017, the Department conducted preliminary risk assessments on 83 programs. Additionally, resulting from the preliminary assessments or the three year risk assessment cycles, we conducted 35 comprehensive risk assessments. The Department assessed all payment types except for federal intragovernmental payments, which were excluded based on the definition of an improper payment per OMB Circular A-123, Appendix C.

In conducting the comprehensive risk assessments, components held meetings with program managers, key personnel, and other stakeholders to discuss the inherent risk of improper payments. The Department's comprehensive risk assessment involved evaluating attributes that directly or indirectly affect the likelihood of improper payments using the GAO Standards for Internal Control (Green Book) framework: As required by OMB Circular A-123, Appendix C, the following minimum risk factors were also considered:

- Whether the program or activity reviewed is new to the agency;
- The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts;
- The volume of payments made annually;
- Whether payments or payment eligibility decisions are made outside of the agency, for example, by a state or local government, or a regional Federal office;
- Recent major changes in program funding, authorities, practices, or procedures;
- The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate;
- Inherent risks or improper payments due to the nature of agency programs or operations;
- Significant deficiencies in the audit reports of the agency including, but not limited to, the agency Inspector General or the GAO audit report findings, or other relevant management findings that might hinder accurate payment certification; and
- Results from prior improper payment work.

Program managers and Component's internal controls division assigned a risk rating to each risk factor based on their detailed understanding of the processes and risk of improper payment. Weighted percentages were assigned to each risk factor rating based on a judgmental determination of the direct or indirect impact on improper payments. An overall risk score was then computed for each program, calculated by the sum of the weighted scores for each risk factor and overall rating scale. Programs were assessed using both qualitative and quantitative risk factors to determine if they were susceptible to significant improper payments. A weighted average of 65 percent for qualitative factors and 35 percent for quantitative risk yields the program's overall risk score.

Additionally, the Department conducted independent reviews of component submissions to identify significant changes in the program compared to last year and assess the reasonableness of the risk ratings. RM&A maintains the final documentation of component submissions and reviews, including maintaining a list of all programs and activities assessed this current FY.

2. Sampling and Estimation

The Department used a statistically valid, stratified sample design performed by a statistician to select and test FY 2016 disbursements for those programs identified as susceptible to significant improper payments. Our procedures provided an overall estimate of the percentage of improper payment dollars within ±2.5 percent precision at the 90 percent confidence level, as specified by OMB Circular A-123 Appendix C.

Using a stratified random sampling approach, payments were grouped into mutually exclusive “strata,” or groups based on total dollars. A stratified random sample typically required a smaller sample size than a simple random sample to meet the specified precision goal at any confidence level. Once the overall sample size was determined, the individual sample size per stratum was determined using the Neyman Allocation method.
The following procedure describes the sample selection process:

- Grouped payments into mutually exclusive strata;
- Assigned each payment a random number generated using a seed;
- Sorted the population by stratum and random number within stratum; and
- Selected the number of payments within each stratum (by ordered random numbers) following the sample size design. For the certainty strata, all payments are selected.

To estimate improper payment dollars for the population from the sample data, the stratum-specific ratio of improper dollars (gross, underpayments, and overpayments, separately) to total payment dollars was calculated. The Federal Emergency Management Agency (FEMA) Homeland Security Grant Program (HSGP), and Public Assistance (PA) Program used an OMB approved alternative sampling methodology for multi-year targeted sampling plan due to population size.

3. Payment Reporting

The table below summarizes Improper Payment (IP) amounts for DHS programs susceptible to significant improper payments. It provides a breakdown of estimated IP and reduction targets for each DHS program or activity. IP percent (IP%) and IP dollar (IP$) results are provided from this year’s testing of FY 2016 payments. Data for projected future–year improvements is based on the timing and significance of completing corrective actions.

Table 5: Improper Payment Results and Reduction Outlook

($ in millions)

Program Name	FY 2016 Outlays ($M)	FY 2016 IP Amount ($M)	FY 2016 IP Rate (%)	FY 2017 Outlays ($M)	FY 2017 Proper Amount ($)	FY 2017 Proper Rate (%)	FY 2017 IP Amount ($M)	FY 2017 IP Rate (%)	FY 2017 Over-payment Amount ($)	FY 2017 Over-payment Rate (%)	FY 2017 Under-payment Amount ($)	FY 2017 Under-payment Rate (%)	FY 2018 Est. IP Rate (%) & Reduction Target
	2016 Testing (Based on FY 2015 Actual Data)			2017 Testing (Based on FY 2016 Actual Data)									2018 Testing (Based on FY 2017 Actual Data
Customs and Border Protection (CBP) – Refund and Drawback (R&D)[8]	$3,008.78	$10.52	0.35%	$1,875.0482	$1,860.2000	99.21%	$14.8443	0.79%	$14.8442	0.79%	$0.0001	0.00%	0.24%
CBP – Administratively Uncontrollable Overtime (AUO)[4,8]	$172.99	$0.01	0.01%										
Domestic Nuclear Detention Office (DNDO) – Hurricane Sandy Payments[5]	$0.06	$0.00	0.00%										
Federal Emergency Management Agency (FEMA) – Assistance to Firefighters Grant Program (AFG)[3]	$270.91	$2.29	0.85%	$299.1566	$298.8985	99.91%	$0.2581	0.09%	$0.2581	0.09%	$0.0000	0.00%	0.09%
FEMA – Flood Risk Map & Risk Analysis (FRM&RA)[6,8]	$111.52	$6.11	5.48%	$132.0186	$127.6980	96.73%	$4.3206	3.27%	$4.3201	3.27%	$0.0005	0.00%	5.00%
FEMA – Homeland Security Grant Program (HSGP)[2,3]	$658.63	$2.77	0.42%	$1,280.1709	$1,275.3063	96.62%	$4.8646	0.38%	$4.8644	0.38%	$0.0002	0.00%	0.35%
FEMA – National Flood Insurance Program (NFIP)[3,8]	$932.48	$1.38	0.15%	$2,339.8225	$2,339.5308	99.99%	$0.2917	0.01%	$0.2917	0.01%	$0.0000	0.00%	0.17%
FEMA – Port Security Grant Program (PSGP)[4,8]	$121.57	$1.14	0.94%										
FEMA – Transit Security Grant Program (TSGP)[4,8]	$211.06	$1.49	0.71%										
FEMA – Public Assistance (PA) Program[2]	$4,198.30	$57.10	1.36%	$3,410.7482	$3,376.6407	99.00%	$34.1075	1.00%	$34.1075	1.00%	$0.0000	0.00%	1.00%
FEMA – Vendor Pay (VP)	$581.51	$31.43	5.40%	$974.1092	$931.0669	95.58%	$43.0423	4.42%	$42.8922	4.40%	$0.1501	0.00%	4.00%
Immigration and Customs Enforcement (ICE) – Enforcement	$1,616.01	$5.75	0.36%	$1,828.1754	$1,822.1350	99.67%	$6.0404	0.33%	$6.0368	0.33%	$0.0036	0.00%	1.00%

Program Name	FY 2016 Outlays ($M)	FY 2016 IP Amount ($M)	FY 2016 IP Rate (%)	FY 2017 Outlays ($M)	FY 2017 Proper Amount ($)	FY 2017 Proper Rate (%)	FY 2017 IP Amount ($M)	FY 2017 IP Rate (%)	FY 2017 Over-payment Amount ($)	FY 2017 Over-payment Rate (%)	FY 2017 Under-payment Amount ($)	FY 2017 Under-payment Rate (%)	FY 2018 Est. IP Rate (%) & Reduction Target
	2016 Testing (Based on FY 2015 Actual Data)			2017 Testing (Based on FY 2016 Actual Data)									2018 Testing (Based on FY 2017 Actual Data
and Removal Operations (ERO)[7]													
Office of Inspector General (OIG) – Hurricane Sandy Payments[5]	$0.17	$0.003	1.76%										
Science and Technology (S&T) – Hurricane Sandy Payments[1]	$2.08	$0.00	0.00%	$0.7017	$0.7017	100.00%	$0.0000	0.00%	$0.0000	0.00%	$0.0000	0.00%	0.00%
United States Coast Guard (USCG) – Acquisition, Construction, & Improvements (AC&I), Operating Expenses (OE) - Hurricane Sandy	$70.00	$0.46	0.66%	$79.4812	$78.3872	98.62%	$1.0940	1.38%	$1.0940	1.38%	$0.0000	0.00%	0.50%
TOTAL[9]	$11,956.07	$120.45	1.01%	$12,219.43	$12,110.57	99.11%	$108.86	0.89%	$108.71	0.89%	$0.15	0.00%	0.97%

Note 1: All FY 2016 Hurricane Sandy Disbursements were tested in FY 2017.

Note 2: FEMA has two State-Administered Programs, HSGP and PA, that are tested on a three-year cycle. To calculate the national error rate for FY 2016 actual data, error rate from the States tested in FY 2014, FY 2015, and FY 2016 were applied to the FY 2016 State payment populations to derive a national average. Estimated outlays for FEMA programs were calculated by averaging the total disbursements for the past three fiscal years, due to the volatile nature of the programs tested. This alternative sampling and estimation method was previously approved by OMB.

Note 3: FEMA – NFIP met the IPERA statutory threshold of below 1.5% and $10M. FEMA exceeded the goal by being below 1% for AFG, HSGP, and NFIP as well as having an extrapolated error amount below $5M for these programs. The FY 2018 estimated error rates remained consistent with the FY 2017 reported error rates. The cost to implementing additional internal controls to try to further reduce the improper payment rate would far outweigh the benefit.

Note 4: During FY 2017 OMB issued the program a waiver from further improper payment testing due to two consecutive years of low improper payment rates. The program will undergo a comprehensive risk assessment beginning FY 2018.

Note 5: Program did not record Hurricane Sandy related outlays in FY 2016, also the program does not have any remaining Hurricane Sandy funds therefore this program will not be tested in future years.

Note 6: FEMA – FRM&RA - Reduction target for out years increased from CY IP percentages. Due to the historical challenges relating to connecting invoice amounts to respective contracts, the target rate for FY 2018 is maintained at 5% as reported in FY 2016 AFR. Resolving the contract management weaknesses within the FRM program requires a methodical and thorough review, resulting in an extended timeline for this program.

Note 7: ICE – ERO implemented successful remediation actions from FY 2013 through FY 2015. The impact and focus on remediation is evidenced by the decreased improper payment rate of 0.36% for FY 2015 disbursements and 0.33% for FY 16 disbursements. Based on several years of historical improper payment rates around 4%, with the goal of reducing improper payments, ICE projects the improper payment to be 1%. While ICE has maintained a significantly low improper payment rate for two consecutive years, targeting a 1% improper payment rate in FY 18 is reasonable and achievable due to the dollar amount of the invoices in the ERO Program.

Note 8: Several corrections were made to the FY 2016 reported outlays and improper payment percentages as a result of the OIG IPERA audit (OIG 17-59). Specifically, CBP (Refunds and Drawback, Administratively Uncontrollable Overtime) and FEMA (Flood Risk Map & Risk Analysis, National Flood Insurance Program, Port Security Grant Program, and Transit Security Grant Program) program outlays and improper payment percentages were updated using the sampling frame used by the statisticians to sample and extrapolate results, rather than disbursement captured for Program ID deliverable purposes. Lastly, the Department made corrections to the program name for Hurricane Sandy funds disbursed for USCG. The outlays and improper payment percentage corrections were submitted to OMB on June 29, 2017, after the AFR was published.

Note 9: The total of estimates does not represent a true statistical improper payment estimate for the Department.

Upon analysis, we found that 55 percent of improper payments for the programs tested in FY 2017 were due to administrative or process error and 45 percent due to insufficient documentation. In addition, approximately 70 percent of improper payments were attributed to errors made by the Federal Agency and 30 percent due to errors made by State and Local Agencies and Other Parties combined. The root causes were identified through improper payment testing and categorized using categories of error as defined in the October 2014 update to OMB Circular A-123, Appendix C.

Table 6 summarizes, by program, the root cause and estimated amount of improper payments made directly by the Government, and the amount of improper payments made by recipients of Federal money for the current fiscal year.

Table 6: Root Cause of Improper Payments

($ in millions)

Program Name	Payment Type	Error Made by Federal Agency		Error Made by State and Local Agency	Error Made by Other Party[1]	TOTAL
		Administrative or Process Error	Insufficient Documentation to Determine	Administrative or Process Error	Administrative or Process Error	
CBP – R&D	Overpayments	$14.8442	$0.0000	$0.0000	$0.0000	$14.8442
	Underpayments	$0.0001	$0.0000	$0.0000	$0.0000	$0.0001
FEMA - AFG	Overpayments	$0.0000	$0.2581	$0.0000	$0.0000	$0.2581
	Underpayments	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
FEMA – FRM & RA	Overpayments	$0.1871	$4.1330	$0.0000	$0.0000	$4.3201
	Underpayments	$0.0005	$0.0000	$0.0000	$0.0000	$0.0005
FEMA - HSGP	Overpayments	$0.0000	$4.8644	$0.0000	$0.0000	$4.8644
	Underpayments	$0.0002	$0.0000	$0.0000	$0.0000	$0.0002
FEMA - NFIP	Overpayments	$0.0000	$0.0000	$0.0000	$0.2917	$0.2917
	Underpayments	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
FEMA - PA	Overpayments	$1.2517	$0.0000	$32.8558	$0.0000	$34.1075
	Underpayments	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
FEMA - VP	Overpayments	$2.7999	$40.0900	$0.0000	$0.0000	$42.8922
	Underpayments	$0.1501	$0.0000	$0.0000	$0.0000	$0.1501
ICE - ERO	Overpayments	$6.0368	$0.0000	$0.0000	$0.0000	$6.0368
	Underpayments	$0.0036	$0.0000	$0.0000	$0.0000	$0.0036
S&T - Sandy	Overpayments	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
	Underpayments	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
USCG – Acquisition, Construction, & Improvements, Operating Expenses - Hurricane Sandy	Overpayments	$1.0940	$0.0000	$0.0000	$0.0000	$1.0940
	Underpayments	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
DHS TOTAL		$26.37	$49.35	$32.86	$0.29	$108.86

[1] Other Party to include: participating lender, health care provider, or any other organization administering Federal dollars

4. Improper Payment Corrective Actions

The following table lists corrective actions for the FEMA Vendor Pay (VP) program which exceeds the statutory threshold of 1.5 percent improper rate and $10 million in improper payments. These corrective actions are targeted at addressing the root causes of insufficient documentation, specifically the billed price within invoices not being identified in the contracts. The root causes of these errors are reoccurring from prior years, and FEMA has continued implementing the following corrective actions to ensure greater compliance. Through these actions, FEMA has made progress to reduce improper payments by 0.98 percentage points in 2017.

Table 7: Vendor Payment Program Corrective Actions

Error Cause	Error Cause Subcategory	Corrective Actions	Completion Date
Improve quality of contracts			
Insufficient Documentation	Billed Price vs. Contract Validation	Draft and incorporate standardized billing instructions to be included in all contracts, defining the standard form and content of billings for different contract types. Incorporate standard billing instructions in contract writing system.	Completed - August 2015
		Revise contract template to include standard section for authorized invoice approver, designated payment office, and authorized official for receiving and acceptance.	Completed - August 2015
		FEMA OCPO to issue policy guidance regarding required CLIN structure to be included in contracts.	Completed - November 2015
		FEMA OCPO to train CO's as part of PRISM implementation, in uploading and maintaining Attachments or Quotes for which pricing is based, into the official contract file in PRISM.	Completed - March 2017
		FEMA OCPO to issue policy guidance requiring Attachments or Quotes incorporated by referenced to be included as part of the official contract document and maintained in the electronic contract file.	3/31/2018
Improve quality of invoice review			
Administrative or Process Error	Billed Pricing not in Contract	Conduct mandatory training for all Contracting Officer Representatives (CORs) and COs on proper invoice review and approval.	Completed training module 7/2013. Training ongoing/quarterly
		Develop invoice review checklist addressing payments of different types, and what needs to be validated based on payment type.	Completed - 3/31/2017
	Calculation Error; Interest Not Paid; Discount not taken	Conduct training for Vendor Payment Accounting technicians on proper review of invoices and related invoice processing.	Completed - May 2016

Error Cause	Error Cause Subcategory	Corrective Actions	Completion Date
Improve quality of Receipt and Acceptance			
Administrative or Process Error	Missing Documentation	Develop a standard Inspection, Acceptance and Receiving Report for FEMA COTR's for support of invoices.	Completed - January 2016
		Develop COR specific training on documenting acceptance where required, by contract line item or deliverable.	3/31/2018

5. Accountability

The goals and requirements of IPERIA were communicated to all levels of staff throughout the Office of the Chief Financial Officer and to relevant program office and procurement staff. The Department has taken extensive measures to ensure that managers, accountable officers (including Component CFOs), programs, and states and localities are held accountable for reducing and recapturing improper payments. The Department's CFO and senior staff have incorporated improper payment reduction targets in their annual performance plans.

Component managers are responsible for completing internal control work on payment processing as part of the Department's OMB Circular A-123 effort. They are further responsible for establishing and maintaining sufficient internal controls, including a control environment that prevents improper payments from being made, effectively managing improper payment risks, and promptly detecting and recovering any improper payment that may occur. Management's improper payments efforts are subject to an annual compliance review by the DHS's Office of Inspector General.

6. Agency Information Systems and Other Infrastructure

OMB requires the identification of all programs with improper payments exceeding the statutory thresholds defined as 1) both 1.5 percent of program outlays and $10 million or 2) $100 million, regardless of the improper payment percentage of total program outlays. Using this criteria, the FEMA Vendor Pay program exceeded the statutory threshold with an estimated improper payment rate of 4.42 percent and $42.89 million in estimated improper payments. Refer to Table 5: *Improper Payment Results and Reduction Outlook* for the statistically valid estimate of the annual amount of improper payment for FEMA Vendor Pay.

The Department and FEMA has the necessary internal controls, human capital, information systems, and infrastructure to continue its efforts of reducing improper payments and increase recoveries as demonstrated through reduction of estimated improper payment rates reported this FY. The Department monitors Component improper payment testing in accordance with OMB Circular A-123. Additionally, each CFO provides an annual assurance statement attesting to the effectiveness of program controls within their Component.

7. Barriers

There are no statutory or regulatory barriers that will impact the ability of DHS to successfully complete corrective actions to reduce improper payments.

8. Recapture of Improper Payments

During FY 2017, the Department did not have any recovery audit activities for FY 2016 disbursements. The Department conducted multiple cost analysis reviews over the past several years and determined that payment recapture audit programs are not cost-effective by considering recovery amounts, costs of audits exceeding recovery amounts identified for recapture and no major changes to payment operations to justify performing an audit.

The table below identifies FY 2016 funds recovered outside of the recapture audit program. Overpayments identified through grant and contract closeout processes, IPERA testing, or self-reported by vendors were collected through the high dollar overpayment reporting process.

Table 8: Overpayment Payment Recaptured with and without Recapture Audit Programs

($ in millions)

	Overpayments Recaptured outside of Payment Recapture Audits	
Component	Amount Identified	Amount Recaptured
FEMA	$0.12	$0.00
TSA	$0.83	$0.83
USSS	$0.17	$0.17
DHS Totals	$1.12	$1.00

Fraud Reduction

On June 30, 2016, Congress enacted Public Law 111-186, Fraud Reduction and Data Analytics Act (FRDAA). The FRDAA requires agencies to conduct an evaluation of fraud risks and use a risk-based approach to design and implement financial and administrative control activities to mitigate identified fraud risks; collect and analyze data from reporting mechanisms on detected fraud to monitor fraud trends and continuously improve fraud detection through use of data analytics; and use the results of monitoring, evaluation, audits and investigations to improve fraud prevention, detection and response.

DHS implemented several initiatives to comply with the FRDAA using GAO's Fraud Risk Framework and A-123. While DHS components and respective programs have individually mitigated the risk of fraud, full implementation of a Department-wide fraud management framework is an iterative process as DHS continues to build upon enterprise risk management.

Source: GAO. | GAO-15-593SP

Figure 5: GAO's Fraud Risk Framework

To-date, DHS has completed the initial fraud risk assessment, while continuously improving our existing processes. Specifically, DHS implementation status and accomplishments include the following:

- ***Commit:*** Leadership and all levels of the organization have committed to continuously identify, prevent, detect, and respond to fraud risks, while actively engaging the OIG to assist the Department in combatting fraud. Leadership commitment, in a holistic risk management approach, is evidenced through each of the components entity level control evaluations where assessments are made based on tone at the top and integrity and ethical values. Currently, RM&A is leading the financial and administrative fraud risk management initiatives for the Department with strong support from components, while engaging the enterprise risk management work group to expand communication and awareness of fraud risk programs DHS-wide.

- ***Assess:*** As part of the Department's internal control evaluation, components are required to assess fraud risk on an annual basis to support its entity level control assessments, as prescribed within the Green Book (Principle 8, Assess Fraud Risks). In FY 2016, the Department led identifying fraud risks common to payroll, grants, payments (to include large contracts), and purchase and travel cards. Each component was required to assess the likelihood and impact of each fraud risk based on its control environment to create its financial and administrative fraud risk profile. In addition, Components were highly encouraged to identify other fraud risks that are specific for their mission and include them into its fraud risk inventory for consolidation.
- ***Design and Implement:*** For each identified fraud risk, components were required to identify control activities, leveraging work already performed through existing internal control evaluations while ensuring the mapped control activities address the fraud risk.
- ***Evaluate and Adapt:*** Once control activities were mapped or new control activities were identified, components were required to complete test of effectiveness. The results of testing would yield a residual risk rating by fraud risk/control, which is used to inform if the controls are effectively designed to mitigate the fraud risk or additional control activities are needed.
- ***Monitoring and Feedback:*** The Department, under the Chief Financial Officer (CFO), monitors the evaluations conducted by each component. Components were asked to baseline its understanding of its fraud risks and control activities in FY 2016 and FY 2017. Effective FY 2018, the Department will focus its monitoring in evaluating each component's fraud risk assessments, identify fraud risks that maybe pervasive Department-wide, and determine if the control activities are appropriate to mitigate or reduce high fraud risks. This initiative will enable the Department to identify opportunities to standardize controls, when appropriate and create synergies where data analytics can be most effectively used to monitor high risk areas. Furthermore, RM&A will continue to work with the enterprise risk management work group to communicate and expand on the awareness and implementation of fraud reduction measures, as needed.

As part of continuous improvement, DHS continues to refine fraud risks by actively working with the fraud working group hosted by OMB, continuing to research and identify additional fraud risks and schemes that need to be included into DHS' fraud risk management framework and exploring data analytic options for payments. In addition, USCIS and ICE have implemented a purchase card data analytics program that enable these component to review 100 percent of its purchase card transactions monthly and target high risk transactions for further review. As the charge card program transitions to GSA SmartPay®3, the Department will assess applicability of data analytics to the entire program to prevent and detect unusual transactions early and target high risk transactions for review and trending.

Other supporting initiatives include:

- *Contract award, monitoring and oversight* – Embedded within Federal Acquisition Regulations and the Homeland Security Acquisition Manual are measures to identify indicators of procurement fraud, and internal controls to prevent such fraud. OCPO monitors compliance with acquisition regulations and DHS policy across the Department, through its procurement oversight program. In addition, OCPO has an established Industry engagement and communication program, providing an external control for detecting fraud.

- *Improper Payments* – In accordance with IPERA, OMB requires programs identified as susceptible improper payments to be tested and the root causes of improper payments include an analysis of potential for fraudulent activity. As part of reporting efforts, Components are required to report if any potential fraudulent activity occurred and refer these matters appropriately.

Individual and Household Program Fraud Data Analytics

In response to the fraud associated with Hurricanes Katrina and Rita, FEMA established the Fraud and Internal Investigations Division (FIID), located at FEMA's headquarters in Washington DC. FIID's mission includes identifying, mitigating, and preventing fraudulent losses of federal funds and assets through agency fraud awareness training and recoupment of losses in partnership with the DHS OIG.

One of FIID's responsibilities is to identify best practices to prevent and deter fraud, waste, and abuse in FEMA's delivery of disaster assistance using disaster applicant datasets to identify current fraud trends and the most common indicators of fraud, while continuing to seek new, innovative, and more effective ways to combat fraud, waste, and abuse using social media. Since its inception, FIID has shifted its approach for combating fraud from a reactive to a proactive, preventative model. FIID coordinates and shares information with the different FEMA program offices as well as personnel located at all three National Processing Service Centers (NPSC). Using that information, FIID proactively queries FEMA databases (datamining) for applications containing common indicators of fraud and identifies fraudulent applications. After identifying a fraudulent application, FIID locks the applicant's file in order to prevent fraudulent funds from being disbursed. Using this proactive model, FIID has seen a dramatic increase in the amount of fraudulent funds prevented from disbursement as seen in the chart below.

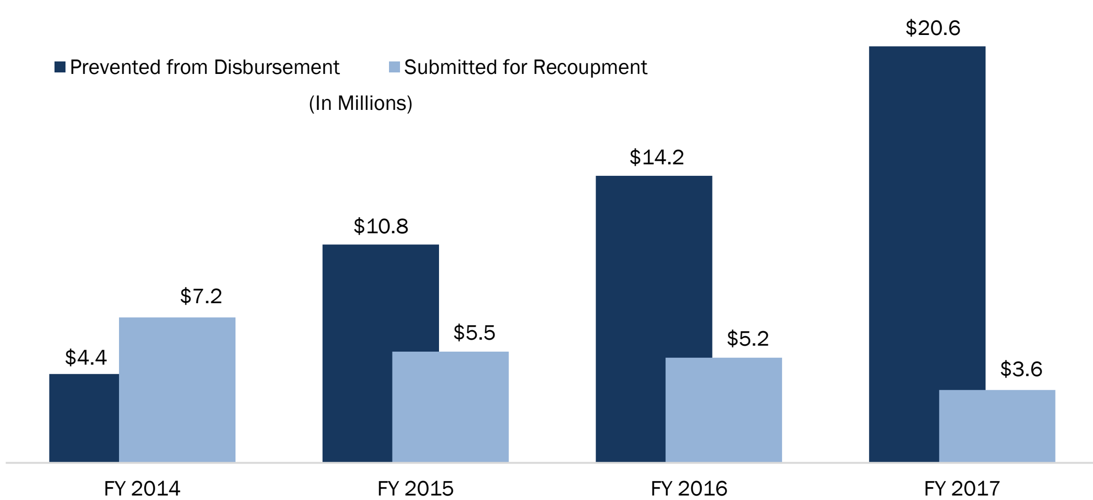


Figure 6: Individual Assistance and Household Fraud Prevention and Recoupment

As a continuous improvement effort, FIID identifies the datamining queries that have resulted in the highest number of fraudulent applications and uses them for every disaster. In addition, FIID provides in person, detailed fraud awareness and prevention training to all NPSC, the NFIP, the OCFO, the Federal Coordinating Officers Cadre and the FEMA Finance Center in order to provide them with information on current fraud trends as well as how to report any suspicions of fraud, waste or abuse. This initiative has opened the lines of communication to FIID and led to an increase in information sharing as well as an increase in the number of allegations of fraud referred to FIID by other components.

To help the public to report fraud, waste, and abuse, FIID added the FEMA fraud and employee misconduct email addresses as well as their 1-800 tip line telephone number to the FEMA home page, in addition to the DHS OIG fraud reporting contacts.

In response to recent disasters, FIID has prioritized Hurricanes Harvey, Irma, Maria, and Nate fraud complaints, investigations and datamining queries. FIID added fraud alerts and updates to the daily briefings (pre-shift) that is provided to all FEMA IHP intake personnel as well as information on fraud, price gouging, and how to report fraud to the National Center for Disaster Fraud (NCDF) to FEMA's webpages for Hurricane's Harvey, Irma, Maria, and Nate. FIID made contact with and is actively providing direct support to the DHS OIG in the Orlando Field Office and is prepared to provide additional resources and support to their Fraud Task Forces in Texas and Florida. FIID has also assigned a representative to the Council of Inspectors General on Integrity and Efficiency, Disaster Assistance Working Group.

Reduce the Footprint

In FY 2015, OMB issued Management Procedures Memorandum No. 2015-01, Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint, dated March 25, 2015, which replaced Freeze the Footprint. During FY 2015 and FY 2016, GSA and the Department completed a predominant use reclassification exercise for the purpose of categorizing mission assets, such as land ports of entry and aviation security assets, into their proper use. This exercise resulted in a reduction in the number of DHS assets in the Department's Reduce the Footprint (RTF) baseline.

During February 2017, GSA provided the Department with their RTF report of 31.11 million square feet (SF) for FY 2016, demonstrating a net reduction of 0.1 percent from the FY 2015 RTF baseline. This actual reduction was far less than the Department's planned target due to lack of funding and reprioritization of limited funding for other projects. In addition, O&M costs increased $8 million due to incremental increases in cost across thousands of buildings assets as well as improvements in reporting of the Department's real property inventory. As the Department's reporting capability matures, future variances in reported data are possible.

Through FY 2022, DHS anticipates a 3.1 percent reduction from its RTF baseline of 31.11 million SF for office and warehouse space. Within this five-year plan, DHS projects to reduce its office space by 967 thousand SF and increase its warehouse space by 13 thousand SF for a total reduction of 954 thousand SF.

In 2017, DHS chartered a temporary Field Efficiencies Program Management Office (FE-PMO) to implement a unified cross-component planning process and identify opportunities for consolidations along common and/or similar mission functions with compatible mission support requirements, anchor locations, or future mission needs. The FE-PMO will conduct three regional studies during FY 2017 and FY 2018 and establish integrated real property mission support plans for all major metropolitan regions with a significant concentration of DHS assets and activities by FY 2022. The regional plans will focus on increased utilization of DHS assets and drive DHS office space utilization toward the DHS 150 Usable Square Feet (USF)/Full Time Equivalent (FTE) standard.

Table 9: Reduce the Footprint Policy Baseline Comparison

	FY 2015 Baseline	2016 (CY-1)	Change (FY 2015 Baseline-2016 Snapshot (CY)
Square Footage (SF in millions)	31.14	31.11	–.03

Table 10: Reporting of O&M Costs – Owned and Direct Lease Buildings[2]

	FY 2015 Reported Cost	2016 (CY-1)	Change (FY 2015 Baseline – FY 2016 (CY-1))
Operation and Maintenance Costs ($ in millions)	$60	$68	$8

[2] Subject to Reduce the Footprint

Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect.

The following represents the Department's civil monetary penalties, all of which were last updated via regulation in 2017. Additional information about these penalties and the latest adjustment is available in the Federal Register, Volume 82, No. 17.

Table 11: Civil Monetary Penalties

Penalty	Authority	Year Enacted	Adjusted New Penalty
CBP			
Non-compliance with arrival and departure manifest requirements for passengers, crew members, or occupants transported on commercial vessels or aircraft arriving to or departing from the United States	8 USC 1221(g); INA Section 231(g); 8 CFR 280.53(c)(1)	2002	$1,333
Non-compliance with landing requirements at designated ports of entry for aircraft transporting aliens	8 USC 1224; INA Section 234; 8 CFR 280.53(c)(2)	1990	$3,621
Violations of removal orders relating to aliens transported on vessels or aircraft under section 241(d) of the INA, or for costs associated with removal under section 241(e) of the INA	8 USC 1253(c)(1)(A); INA Section 243(c)(1)(A); 8 CFR 280.53(c)(4)	1996	$3,054
Failure to remove alien stowaways under section 241(d)(2) of the INA	8 USC 1253(c)(1)(B); INA Section 243(c)(1)(B); 8 CFR 280.53(c)(5)	1996	$7,635
Failure to report an illegal landing or desertion of alien crewmen, and for each alien not reported on arrival or departure manifest or lists required in accordance with section 251 of the USC (for each alien)	8 USC 1281(d); INA Section 251(d); 8 CFR 280.53(c)(6)	1990	$362
Use of alien crewmen for longshore work in violation of section 251(d) of the INA	8 USC 1281(d); INA Section 251(d); 8 CFR 280.53(c)(6)	1990	$9,054
Failure to control, detain, or remove alien crewmen	8 USC 1284(a); INA Section 254(a); 8 CFR 280.53(c)(7)	1990	Minimum $906 Maximum $5,432
Employment on passenger vessels of aliens afflicted with certain disabilities	8 USC 1285; INA Section 255; 8 CFR 280.53(c)(8)	1990	$1,811
Discharge of alien crewmen	8 USC 1286; INA Section 256; 8 CFR 280.53(c)(9)	1990	Minimum $2,716 Maximum $5,432
Bringing into the United States alien crewmen with intent to evade immigration laws	8 USC 1287; INA Section 257; 8 CFR 280.53(c)(10)	1990	$18,107
Failure to prevent the unauthorized landing of aliens	8 USC § 1321(a); INA Section 271(a); 8 CFR 280.53(c)(11)	1990	$5,432
Bringing to the United States aliens subject to denial of admission on a health-related ground	8 USC § 1322(a); INA Section 272(a); 8 CFR 280.53(c)(12)	1990	$5,432
Bringing to the United States aliens without required documentation	8 USC § 1323(b); INA Section 273(b); 8 CFR 280.53(c)(13)	1990	$5,432

Penalty	Authority	Year Enacted	Adjusted New Penalty
Improper entry	8 USC § 1325(b) INA Section 275(b); 8 CFR 280.53(c)(15)	1996	Minimum $76 Maximum $382
Dealing in or using empty stamped imported liquor containers	19 USC 469	1879	$200
Transporting passengers between coastwise points in the United States by a non-coastwise qualified vessel	46 USC 55103(b); 19 CFR 4.80(b)(2	1898	$300
Towing a vessel between coastwise points in the United States by a non-coastwise qualified vessel	46 USC 55111(c); 19 CFR 4.92	1940	Minimum $350 Maximum $1100 plus $60 per ton
ICE			
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(1)–(a)(4) (First offense)	8 CFR 270.3(b)(1)(ii)(A)	1990	Minimum $452 Maximum $3,621
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(5)–(a)(6) (First offense)	8 CFR 270.3(b)(1)(ii)(B)	1996	Minimum $382 Maximum $3,054
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(1)–(a)(4) (Subsequent offenses)	8 CFR 270.3(b)(1)(ii)(C)	1990	Minimum $3,621 Maximum $9,054
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(5)–(a)(6) (Subsequent offenses)	8 CFR 270.3(b)(1)(ii)(D)	1996	Minimum $3,054 Maximum $7,635
Violation/prohibition of indemnity bonds	8 CFR 274a.8(b)	1986	$2,191
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (First offense)	8 CFR 274a.10(b)(1)(ii)(A)	1986	Minimum $548 Maximum $4,384
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (Second offense)	8 CFR 274a.10(b)(1)(ii)(B)	1986	Minimum $4,384 Maximum $10,957
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (Subsequent offenses)	8 CFR 274a.10(b)(1)(ii)(C)	1986	Minimum $6,575 Maximum $21,916
I–9 paperwork violations	8 CFR 274a.10(b)(2)	1986	Minimum $220 Maximum $2,191
Failure to depart voluntarily	8 USC 1229c(d); INA Section 240B(d); 8 CFR 280.53(c)(3)	1996	Minimum $1,527 Maximum $7,635
Failure to depart	8 USC 1324(d); INA Section 274D; 8 CFR 280.53(c)(14)	1996	$763
NPPD			
Non-compliance with CFATS regulations	6 USC 624(b)(1); 6 CFR 27.300(b)(3)	2002	$33,333
TSA			
Certain aviation related violations by an individual or small business concern (49 CFR Ch. XII § 1503.401(c)(1))	49 USC 46301(a)(1), (4)	2003	$13,066 (up to a total of $65,333 per civil penalty action)

Penalty	Authority	Year Enacted	Adjusted New Penalty
Certain aviation related violations by any other person not operating an aircraft for the transportation of passengers or property for compensation (49 CFR Ch. XII § 1503.401(c)(2))	49 USC 46301(a)(1), (4)	2003	$13,066 (up to a total of $522,657 per civil penalty action)
Certain aviation related violations by a person operating an aircraft for the transportation of passengers or property for compensation (49 CFR Ch. XII § 1503.401(c)(3))	49 USC 46301(a)(1), (4)	2003	$32,666 (up to a total of $522,657 per civil penalty action)
Violation of any other provision of title 49 USC or of 46 USC ch. 701, or a regulation prescribed, or order issued under thereunder (49 CFR Ch. XII § 1503.401(b))	49 USC 114(v)(2)	2009	$11,182 (up to a total of $55,910 for individuals and small businesses, $447,280 for others)
USCG			
Saving Life and Property	14 USC 88(c)	2014	$10,181
Saving Life and Property (Intentional Interference with Broadcast)	14 USC 88(e)	2012	$1,045
Confidentiality of Medical Quality Assurance Records (first offense)	14 USC 645(i)	1992	$5,114
Confidentiality of Medical Quality Assurance Records (subsequent offenses)	14 USC 645(i)	1992	$34,095
Aquatic Nuisance Species in Waters of the United States	16 USC 4711(g)(1)	1996	$38,175
Obstruction of Revenue Officers by Masters of Vessels	19 USC 70	1935	$7,623
Obstruction of Revenue Officers by Masters of Vessels—Minimum Penalty	19 USC 70	1935	$1,779
Failure to Stop Vessel When Directed; Master, Owner, Operator or Person in Charge	19 USC 1581(d)	1930	$5,000
Failure to Stop Vessel When Directed; Master, Owner, Operator or Person in Charge - Minimum Penalty	19 USC 1581(d)	1930	$1,000
Anchorage Ground/Harbor Regulations General	33 USC 471	2010	$11,053
Anchorage Ground/Harbor Regulations St. Mary's River	33 USC 474	1946	$762
Bridges/Failure to Comply with Regulations	33 USC 495(b)	2008	$27,904
Bridges/Drawbridges	33 USC 499(c)	2008	$27,904
Bridges/Failure to Alter Bridge Obstructing Navigation	33 USC 502(c)	2008	$27,904
Bridges/Maintenance and Operation	33 USC 533(b)	2008	$27,904
Bridge to Bridge Communication; Master, Person in Charge or Pilot	33 USC 1208(a)	1971	$2,033
Bridge to Bridge Communication; Vessel	33 USC 1208(b)	1971	$2,033
PWSA Regulations	33 USC 1232(a)	1978	$90,063
Vessel Navigation: Regattas or Marine Parades; Unlicensed Person in Charge	33 USC 1236(b)	1990	$9,054
Vessel Navigation: Regattas or Marine Parades; Owner Onboard Vessel	33 USC 1236(c)	1990	$9,054
Vessel Navigation: Regattas or Marine Parades; Other Persons	33 USC 1236(d)	1990	$4,527

Penalty	Authority	Year Enacted	Adjusted New Penalty
Oil/Hazardous Substances: Discharges (Class I per violation)	33 USC 1321(b)(6)(B)(i)	1990	$18,107
Oil/Hazardous Substances: Discharges (Class I total under paragraph)	33 USC 1321(b)(6)(B)(i)	1990	$45,268
Oil/Hazardous Substances: Discharges (Class II per day of violation)	33 USC 1321(b)(6)(B)(ii)	1990	$18,107
Oil/Hazardous Substances: Discharges (Class II total under paragraph)	33 USC 1321(b)(6)(B)(ii)	1990	$226,338
Oil/Hazardous Substances: Discharges (per day of violation) Judicial Assessment	33 USC 1321(b)(7)(A)	1990	$45,268
Oil/Hazardous Substances: Discharges (per barrel of oil or unit discharged) Judicial Assessment	33 USC 1321(b)(7)(A)	1990	$1,811
Oil/Hazardous Substances: Failure to Carry Out Removal/Comply With Order (Judicial Assessment)	33 USC 1321(b)(7)(B)	1990	$45,268
Oil/Hazardous Substances: Failure to Comply with Regulation Issued Under 1321(j) (Judicial Assessment)	33 USC 1321(b)(7)(C)	1990	$45,268
Oil/Hazardous Substances: Discharges, Gross Negligence (per barrel of oil or unit discharged) Judicial Assessment	33 USC 1321(b)(7)(D)	1990	$5,432
Oil/Hazardous Substances: Discharges, Gross Negligence—Minimum Penalty (Judicial Assessment)	33 USC 1321(b)(7)(D)	1990	$181,071
Marine Sanitation Devices; Operating	33 USC 1322(j)	1972	$7,623
Marine Sanitation Devices; Sale or Manufacture	33 USC 1322(j)	1972	$20,327
International Navigation Rules; Operator	33 USC 1608(a)	1980	$14,252
International Navigation Rules; Vessel	33 USC 1608(b)	1980	$14,252
Pollution from Ships; General	33 USC 1908(b)(1)	1980	$71,264
Pollution from Ships; False Statement	33 USC 1908(b)(2)	1980	$14,252
Inland Navigation Rules; Operator	33 USC 2072(a)	1980	$14,252
Inland Navigation Rules; Vessel	33 USC 2072(b)	1980	$14,252
Shore Protection; General	33 USC 2609(a)	1988	$50,276
Shore Protection; Operating Without Permit	33 USC 2609(b)	1988	$20,111
Oil Pollution Liability and Compensation	33 USC 2716a(a)	1990	$45,268
Clean Hulls; Civil Enforcement	33 USC 3852(a)(1)(A)	2010	$41,446
Clean Hulls; False statements	33 USC 3852(a)(1)(A)	2010	$55,263
Clean Hulls; Recreational Vessel	33 USC3852(c)	2010	$5,526
Hazardous Substances, Releases Liability, Compensation (Class I)	42 USC 9609(a)	1986	$54,789
Hazardous Substances, Releases Liability, Compensation (Class II)	42 USC 9609(b)	1986	$54,789
Hazardous Substances, Releases Liability, Compensation (Class II subsequent offense)	42 USC 9609(b)	1986	$164,367
Hazardous Substances, Releases, Liability, Compensation (Judicial Assessment)	42 USC 9609(c)	1986	$54,789
Hazardous Substances, Releases, Liability, Compensation (Judicial Assessment subsequent offense)	42 USC 9609(c)	1986	$164,367
Safe Containers for International Cargo	46 USC 80509(a)	2006	$5,989

Penalty	Authority	Year Enacted	Adjusted New Penalty
Suspension of Passenger Service	46 USC 70305(c)	2006	$59,893
Vessel Inspection or Examination Fees	46 USC 2110(e)	1990	$9,054
Alcohol and Dangerous Drug Testing	46 USC 2115	1998	$7,370
Negligent Operations: Recreational Vessels	46 USC 2302(a)	2002	$6,666
Negligent Operations: Other Vessels	46 USC 2302(a)	2002	$33,333
Operating a Vessel While Under the Influence of Alcohol or a Dangerous Drug	46 USC 2302(c)(1)	1998	$7,370
Vessel Reporting Requirements: Owner, Charterer, Managing Operator, or Agent	46 USC 2306(a)(4)	1984	$11,478
Vessel Reporting Requirements: Master	46 USC 2306(b)(2)	1984	$2,296
Immersion Suits	46 USC 3102(c)(1)	1984	$11,478
Inspection Permit	46 USC 3302(i)(5)	1983	$2,394
Vessel Inspection; General	46 USC 3318(a)	1984	$11,478
Vessel Inspection; Nautical School Vessel	46 USC 3318(g)	1984	$11,478
Vessel Inspection; Failure to Give Notice IAW 3304(b)	46 USC 3318(h)	1984	$2,296
Vessel Inspection; Failure to Give Notice IAW 3309 (c)	46 USC 3318(i)	1984	$2,296
Vessel Inspection; Vessel ≥ 1600 Gross Tons	46 USC 3318(j)(1)	1984	$22,957
Vessel Inspection; Vessel <1600 Gross Tons	46 USC 3318(j)(1)	1984	$4,591
Vessel Inspection; Failure to Comply with 3311(b)	46 USC 3318(k)	1984	$22,957
Vessel Inspection; Violation of 3318(b)-3318(f)	46 USC 3318(l)	1984	$11,478
List/count of Passengers	46 USC 3502(e)	1983	$239
Notification to Passengers	46 USC 3504(c)	1983	$23,933
Notification to Passengers; Sale of Tickets	46 USC 3504(c)	1983	$1,196
Copies of Laws on Passenger Vessels; Master	46 USC 3506	1983	$479
Liquid Bulk/Dangerous Cargo	46 USC 3718(a)(1)	1983	$59,834
Uninspected Vessels	46 USC 4106	1988	$10,055
Recreational Vessels (maximum for related series of violations)	46 USC 4311(b)(1)	2004	$316,566
Recreational Vessels; Violation of 4307(a)	46 USC 4311(b)(1)	2004	$6,331
Recreational Vessels	46 USC 4311(c)	1983	$2,394
Uninspected Commercial Fishing Industry Vessels	46 USC 4507	1988	$10,055
Abandonment of Barges	46 USC 4703	1992	$1,704
Load Lines	46 USC 5116(a)	1986	$10,957
Load Lines; Violation of 5112(a)	46 USC 5116(b)	1986	$21,916
Load Lines; Violation of 5112(b)	46 USC 5116(c)	1986	$10,957
Reporting Marine Casualties	46 USC 6103(a)	1996	$38,175
Reporting Marine Casualties; Violation of 6104	46 USC 6103(b)	1988	$10,055
Manning of Inspected Vessels; Failure to Report Deficiency in Vessel Complement	46 USC 8101(e)	1990	$1,811
Manning of Inspected Vessels	46 USC 8101(f)	1990	$18,107
Manning of Inspected Vessels; Employing or Serving in Capacity not Licensed by USCG	46 USC 8101(g)	1990	$18,107

Penalty	Authority	Year Enacted	Adjusted New Penalty
Manning of Inspected Vessels; Freight Vessel <100 GT, Small Passenger Vessel, or Sailing School Vessel	46 USC 8101(h)	1983	$2,394
Watchmen on Passenger Vessels	46 USC 8102(a)	1983	$2,394
Citizenship Requirements	46 USC 8103(f)	1983	$1,196
Watches on Vessels; Violation of 8104(a) or (b)	46 USC 8104(i)	1990	$18,107
Watches on Vessels; Violation of 8104(c), (d), (e), or (h)	46 USC 8104(j)	1990	$18,107
Staff Department on Vessels	46 USC 8302(e)	1983	$239
Officer's Competency Certificates	46 USC 8304(d)	1983	$239
Coastwise Pilotage; Owner, Charterer, Managing Operator, Agent, Master or Individual in Charge	46 USC 8502(e)	1990	$18,107
Coastwise Pilotage; Individual	46 USC 8502(f)	1990	$18,107
Federal Pilots	46 USC 8503	1984	$57,391
Merchant Mariners Documents	46 USC 8701(d)	1983	$1,196
Crew Requirements	46 USC 8702(e)	1990	$18,107
Small Vessel Manning	46 USC 8906	1996	$38,175
Pilotage: Great Lakes; Owner, Charterer, Managing Operator, Agent, Master or Individual in Charge	46 USC 9308(a)	1990	$18,107
Pilotage: Great Lakes; Individual	46 USC 9308(b)	1990	$18,107
Pilotage: Great Lakes; Violation of 9303	46 USC 9308(c)	1990	$18,107
Failure to Report Sexual Offense	46 USC 10104(b)	1989	$9,623
Pay Advances to Seamen	46 USC 10314(a)(2)	1983	$1,196
Pay Advances to Seamen; Remuneration for Employment	46 USC 10314(b)	1983	$1,196
Allotment to Seamen	46 USC 10315(c)	1983	$1,196
Seamen Protection; General	46 USC 10321	1993	$8,296
Coastwise Voyages: Advances	46 USC 10505(a)(2)	1993	$8,296
Coastwise Voyages: Advances; Remuneration for Employment	46 USC 10505(b)	1993	$8,296
Coastwise Voyages: Seamen Protection; General	46 USC 10508(b)	1993	$8,296
Effects of Deceased Seamen	46 USC 10711	1983	$479
Complaints of Unfitness	46 USC 10902(a)(2)	1983	$1,196
Proceedings on Examination of Vessel	46 USC 10903(d)	1983	$239
Permission to Make Complaint	46 USC 10907(b)	1983	$1,196
Accommodations for Seamen	46 USC 11101(f)	1983	$1,196
Medicine Chests on Vessels	46 USC 11102(b)	1983	$1,196
Destitute Seamen	46 USC 11104(b)	1983	$239
Wages on Discharge	46 USC 11105(c)	1983	$1,196
Log Books; Master Failing to Maintain	46 USC 11303(a)	1983	$479
Log Books; Master Failing to Make Entry	46 USC 11303(b)	1983	$479
Log Books; Late Entry	46 USC 11303(c)	1983	$359
Carrying of Sheath Knives	46 USC 11506	1983	$120
Documentation of Vessels	46 USC 12151(a)(1)	2012	$15,675
Documentation of Vessels; Activities involving mobile offshore drilling units	46 USC 12151(a)(2)	2012	$26,126

Penalty	Authority	Year Enacted	Adjusted New Penalty
Engaging in Fishing After Falsifying Eligibility (fine per day)	46 USC 12151(c)	2006	$119,786
Numbering of Undocumented Vessel; Willful violation	46 USC 12309(a)	1983	$11,967
Numbering of Undocumented Vessels	46 USC 12309(b)	1983	$2,394
Vessel Identification System	46 USC 12507(b)	1988	$20,111
Measurement of Vessels	46 USC 14701	1986	$43,832
Measurement; False Statements	46 USC 14702	1986	$43,832
Commercial Instruments and Maritime Liens	46 USC 31309	1988	$20,111
Commercial Instruments and Maritime Liens; Mortgagor	46 USC 31330(a)(2)	1988	$20,111
Commercial Instruments and Maritime Liens; Violation of 31329	46 USC 31330(b)(2)	1988	$50,276
Port Security	46 USC 70119(a)	2002	$33,333
Port Security; Continuing Violations	46 USC 70119(b)	2006	$59,893
Maritime Drug Law Enforcement; Penalties	46 USC 70506(c)	2010	$5,526
Hazardous Materials: Related to Vessels	49 USC 5123(a)(1)	2012	$78,376
Hazardous Materials: Related to Vessels; Penalty from Fatalities, Serious Injuries/ Illness or substantial Damage to Property	49 USC 5123(a)(2)	2012	$182,877
Hazardous Materials: Related to Vessels; Training	49 USC 5123(a)(3)	2012	$471

Grants Oversight & New Efficiency (GONE) Act

Enacted on January 28, 2016, the GONE Act requires each agency to submit to Congress a report on Federal grant and cooperative agreement awards which have not yet been closed and for which the period of period of performance, including any extensions, elapsed for more than two years. The following table includes DHS open grants and cooperative agreements whose period of performance ended on or before September 30, 2015.

Table 12: Grants/Cooperative Agreements Summary Status

($ in millions)

CATEGORY	2-3 Years	3-5 Years	> 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	537	4	13
Number of Grants/Cooperative Agreements with Undisbursed Balances	291	20	10
Total Amount of Undisbursed Balances	$105	$3	$9

DHS awards approximately $10 billion annually in grants and cooperative agreements through eight DHS financial assistance awarding offices. The awarding offices include the Federal Emergency Management Agency (FEMA), U.S. Coast Guard, Domestic Nuclear Detection Office, Office of Health Affairs, U.S. Immigration and Customs Enforcement, National Protection & Programs Directorate, Science and Technology, and U.S. Citizenship and Immigration Services. FEMA awards ninety-eight percent of DHS grants and cooperative agreements.

DHS awarding offices use disparate grant management systems, and this has created a multitude of challenges in closing grant awards and cooperative agreements on a timely basis. Accordingly, there are inconsistent policies, procedures and processes used to award and close grants. FEMA has begun an initiative to simplify and coordinate business management and oversight approaches for its grant programs and to define grant system requirements.

Additionally, DHS is providing centralized oversight and training on grants management processes. These improved processes and an integrated systems environment will better support the close out of grants and cooperative agreements in a timely manner. Once fully implemented, DHS management officials will be able to make data-driven decisions that lead to faster action, and facilitate better outcomes for the American public.

Other Key Regulatory Requirements

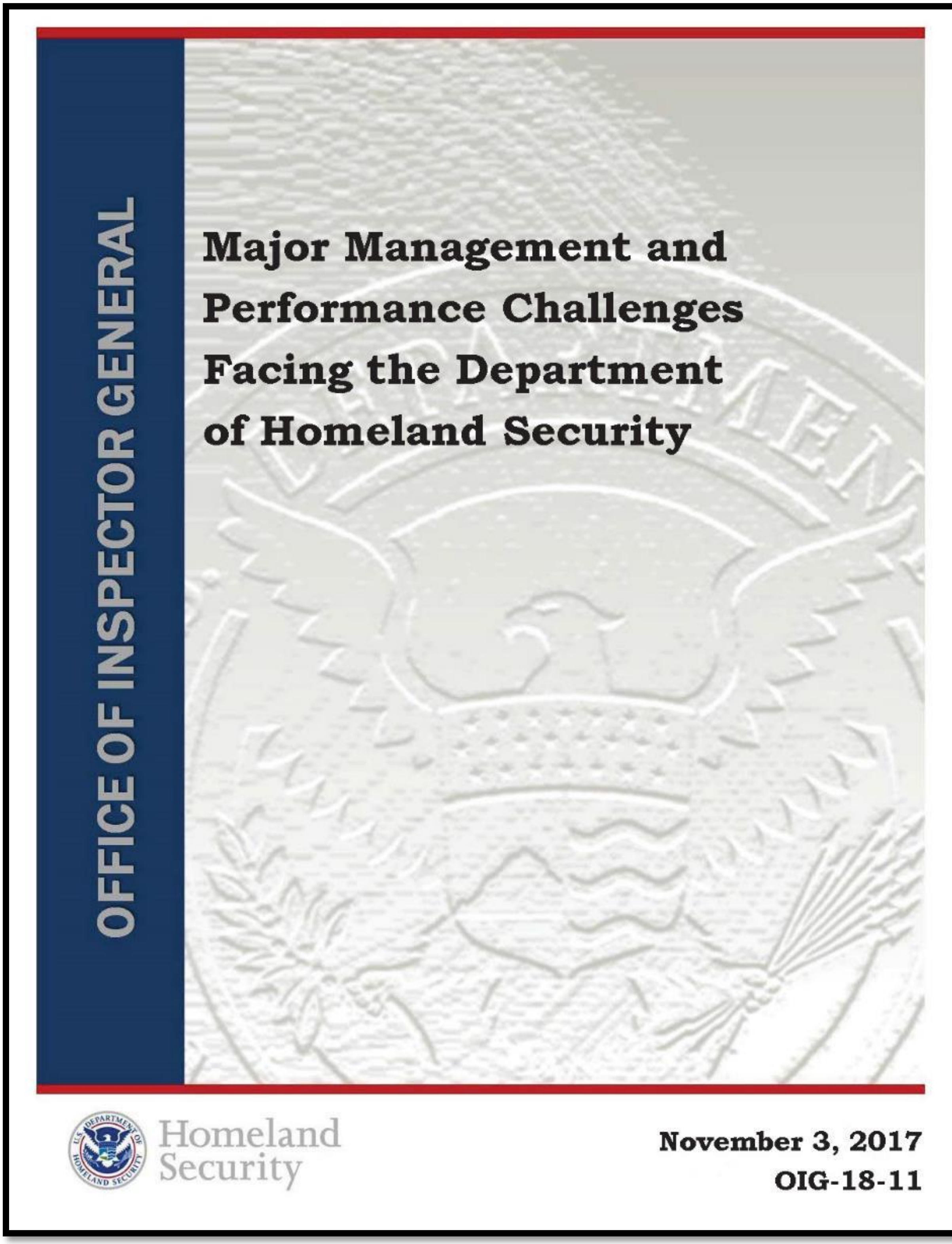
Prompt Payment Act

The Prompt Payment Act requires federal agencies to make timely payments (within 30 days of receipt of invoice) to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts only when they are economically justified. The Department's Components submit Prompt Payment data as part of data gathered for the OMB CFO Council's Metric Tracking System (MTS). Periodic reviews are conducted by the DHS Components to identify potential problems. Interest penalties as a percentage of the dollar amount of invoices subject to the Prompt Payment Act have been measured between 0.002 percent and 0.010 percent for the period of October 2016 through September 2017, with an annual average of 0.004 percent. (Note: MTS statistics are reported with at least a six week lag).

Debt Collection Improvement Act

In compliance with the Debt Collection Improvement Act of 1996 (DCIA), the Department manages its debt collection activities under the DHS DCIA regulation. The regulation is implemented under the Department's comprehensive debt collection policies that provide guidance to the Components on the administrative collection of debt; referring non-taxable debt; writing off non-taxable debt; reporting debts to consumer reporting agencies; assessing interest, penalties and administrative costs; and reporting receivables to the Treasury. The Digital Accountability and Transparency Act of 2014 was passed in May 2014 and updated DCIA requirements for referring non-taxable debt.

Office of Inspector General's Report on Major Management and Performance Challenges Facing the Department of Homeland Security



OFFICE OF INSPECTOR GENERAL

Major Management and Performance Challenges Facing the Department of Homeland Security

Homeland Security

November 3, 2017

OIG-18-11

OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

November 3, 2017

MEMORANDUM FOR: The Honorable Elaine C. Duke
Acting Secretary

FROM: John Roth
Inspector General

SUBJECT: Major Management and Performance Challenges Facing the Department of Homeland Security

Attached for your information is our annual report, Major Management and Performance Challenges Facing the Department of Homeland Security.

Introduction

Every year, pursuant to *the Reports Consolidation Act of 2000*, Federal Inspectors General are required to issue a statement "that summarizes what the inspector general considers to be the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges." This requirement is consistent with our duties under the *Inspector General Act* to not only conduct audits but, pursuant to Section 2(2) of the Act, provide leadership and recommend policies to promote economy, efficiency, and effectiveness in the Department's programs and operations.[1]

This year, we highlight the underlying causes of the Department's persistent management and performance challenges, which hamper efforts to accomplish the homeland security mission efficiently and effectively. The challenges are two-fold. First, Department leadership must commit itself to ensuring DHS operates more as a single entity

[1] Our intention is to advise the Department, from a broad perspective, on the causes of its management challenges, not to provide details for developing specific performance goals, measures, and milestones envisioned by the *GPRA Modernization Act of 2010*. Because this statement is not an audit, we did not prepare it in accordance with *Generally Accepted Government Auditing Standards*.

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rather than a collection of components. The lack of progress in reinforcing a unity of effort translates to a missed opportunity for greater effectiveness. Second, Department leadership must establish and enforce a strong internal control environment typical of a more mature organization. The current environment of relatively weak internal controls affects all aspects of the Department's mission, from border protection to immigration enforcement and from protection against terrorist attacks and natural disasters to cybersecurity.

Simply stated, internal controls are an organization's processes for ensuring that it can execute its mission effectively, efficiently, and lawfully. Internal controls include assessing risk, using policies and procedures to establish actions that achieve objectives, communicating quality information, and monitoring activities to assess performance. As described in the Government Accountability Office's (GAO) Green Book, internal controls are needed to adapt to "shifting environments, evolving demands, changing risks, and new priorities." Also according to GAO, leadership needs to establish a control environment as the foundation for discipline and structure to help achieve objectives. The Office of Management and Budget reiterates this principle — "[m]anagement has a fundamental responsibility to develop and maintain effective internal control, proper stewardship of resources, efficient and effective operation of programs, compliance, minimal potential for waste, fraud, and mismanagement." The Department's investment of billions of dollars in programs and operations without implementing strong internal controls runs counter to ensuring efficiency and effectiveness.

Ideally, leadership should establish a strong, overarching internal control structure that clearly defines goals and objectives, as well as plans and strategies to achieve them. In such a structure, leadership delineates and assigns responsibilities, promotes coordination of resources and cooperation among programs and operations, promulgates straightforward policies and guidance to components, and asserts its authority to ensure compliance and accountability.

Challenges in Committing to Intra-component Cooperation

In the last 3 years, the Department has formally attempted to establish a centralized authority structure through its "One DHS" and "Unity of Effort" initiatives. These initiatives have largely been executed through

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DHS Management Directives on budget formulation and acquisition activities, as well as high-level coordination activities often spearheaded by senior Department leadership. Unity of Effort appears to be ongoing, but the Department will continue to be challenged to sustain and implement such initiatives, particularly as previously vacant leadership positions continue to remain unfilled, and the Department's mission continues to evolve.

Because of overlapping missions and operations, redundancy and inefficiencies are nearly inevitable. The Department must continually seek opportunities to minimize these to create a leaner, more effective organization through collaboration. As we noted in last year's Major Management and Performance Challenges:

> Unity of effort needs to be more than a slogan and an initiative. Ensuring continued progress requires the constant attention of senior leaders. Absent structural changes to ensure streamlined oversight, communication, responsibility, and accountability — changes that must be enshrined in law — the risk of DHS backsliding on the progress made to date is very real.

We have seen little evidence of proactive effort by leadership to view the organization holistically, to forcefully communicate the need for cooperation among components, and to establish programs or policies that ensure unity, even though such effort is a necessary precondition to unified action. Even if DHS leadership articulated the concept of unified action to the components more clearly and forcefully, weak or nonexistent central authority hinders oversight, monitoring, and compliance.

The responsibility for proactive leadership to drive Unity of Effort falls on the Secretary, the Deputy Secretary, the Under Secretary for Management, and on the newly created Under Secretary for the Office of Strategy, Policy, and Plans. Unfortunately, these positions suffer from the lack of permanent, presidentially appointed and Senate-confirmed officials; as a result, there has not been the opportunity or leadership stability to implement or reinforce needed reforms.

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The central challenge of a young DHS is to forge a number of disparate entities, each with a unique culture, history, and mission focus into a single entity. This requires senior-level, proactive communication and strong internal controls; to do otherwise risks the perception of a tacit message that the components can simply consider the Department an umbrella organization and continue to go it alone.

To be sure, we see evidence of progress, particularly in the area of surge operations and high value acquisitions. But we also see weak central authority and lack of cooperation, which can negatively affect crucial elements of the Department's mission. For example, ensuring the appropriate use of force is critical to the Department's vast law enforcement enterprise, yet DHS does not have an office to manage and oversee use of force activities; collect and validate data to assess use of force, minimize risks, and take corrective actions; and ensure use of force policies are updated and incorporate lessons learned. Given the significant investment in immigration enforcement and administration of immigration laws, DHS should pay particular attention to the programs and operations of CBP, ICE, and USCIS. Yet, the Department does not have a designated responsible official or department-level group to address overarching issues related to immigration, resolve cross-cutting problems, and foster coordination in processing aliens. Finally, both ICE and CBP have had difficulty overseeing their networks of field offices and monitoring border patrol stations and detention facilities to identify and correct compliance issues.

Workforce Challenges

A strong internal control environment requires commitment to competence in the workplace — to accomplish this, DHS needs to recruit, hire, develop, and retain a highly skilled, motivated workforce. Effective management also requires preparing, deploying, and supporting the right number of employees to achieve program and policy objectives.

The Department, CBP, and ICE face significant challenges in identifying, recruiting, hiring, and fielding the number of law enforcement officers mandated in the January 2017 Executive Orders. Neither CBP nor ICE could provide complete data to support the operational need or deployment strategies for the 15,000 additional agents and officers they were directed to hire. Although DHS has established plans and initiated

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actions to begin an aggressive hiring surge, in recent years the Department and its components have encountered notable difficulties related to long hire times, proper allocation of staff, and the supply of human resources. Specifically, CBP, ICE, and the Secret Service have been able to maintain staffing levels close to the authorized number of law enforcement personnel and have taken steps to reduce the time it takes to hire, but they continue to experience significant delays partly due to lack of staff and automated systems needed to hire personnel as efficiently as possible. The inability to hire law enforcement personnel in a timely manner may lead to shortfalls in staffing, which can affect workforce productivity and morale, as well as potentially disrupt mission critical operations. Also, the Secret Service improved communication within the workforce, increased hiring, and committed to more training, but continuing struggles to retain staff in the face of high operational demands will require a multi-year commitment by Secret Service and DHS leadership.

Proper workforce staffing processes include identifying mission-critical occupations and competencies to achieve strategic goals. These processes systematically define the size of the workforce needed to meet organizational goals. Our work has revealed that DHS has not established structure or rigorous process to determine needed staff and allocate them accordingly, nor does leadership attempt to align staffing resources with workloads. For example, although many ICE Deportation Officers supervising aliens reported overwhelming caseloads and difficulty fulfilling their responsibilities, ICE was not collecting and analyzing data about employee workloads to allocate staff judiciously and determine achievable caseloads. We discovered that at four ICE field offices, Deportation Officers were responsible for supervising up to 10,000 non-detained aliens.

The Department does not always determine how to properly support employees once hired to ensure they are well-equipped to carry out their responsibilities while maintaining a high level of morale. DHS often fails to update and clarify guidance and policies, ensure full and open communication between employees and management, offer sufficient training, and reduce administrative burdens. Our reports are replete with examples of insufficient training to enable and enhance job performance.

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The Challenge to Become a Learning Organization

To really "learn," organizations need to make certain program and operational data is reliable and gather the data for planning and decision making, institute performance measures, ensure compliance with policies and procedures, and establish and communicate best practices. Disparate data streams, legacy systems, and unsuccessful attempts to transform IT systems can prevent gathering of reliable data to assess risk, make decisions, and establish performance measures. As the Department struggles with remediating individual problems, the more difficult work of examining cross-cutting deficiencies and developing long-term solutions is often left unaddressed. Components may learn lessons, but they have little incentive to apply them, communicate them to others to help them learn, or institute best practices. Thus, the same mistakes are made.

For example, because of a lack of formal oversight roles and responsibilities, the Department did not report drug seizures and drug interdiction resource hours to the Office of National Drug Control Policy or ensure components developed and implemented adequate performance measures to assess drug interdiction activities. As a result, DHS could not ensure its drug interdiction efforts met required national drug control outcomes nor could it accurately assess the impact of the approximately $4.2 billion spent annually on drug control activities.

CBP continues to have problems measuring the effectiveness of its programs and operations; therefore, it continues to invest in programs and act without the benefit of the feedback needed to help ensure it uses resources wisely and improves border security. OIG and GAO have issued multiple reports assessing how well DHS and CBP determine effectiveness of programs and operations. In general, the reporting shows that, although CBP has implemented many new programs to address border security issues, it has struggled to develop measures of effectiveness. Further, CBP's data is often unreliable and incomplete and statistics are sometimes subject to misinterpretation.

In the acquisition process, we have found that DHS has established the internal controls (e.g., the right people and processes) to acquire goods

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and services efficiently, but does not always ensure compliance with the controls. As a result, the Department does not always fully assess risk to determine priorities or catch problems early in the acquisition process before they evolve into larger problems. Acquisitions are allowed to proceed even if there is a failure to comply with policies and procedures. Most of DHS' major acquisition programs continue to cost more than expected, take longer to deploy than planned, or deliver less capability than promised. Although DHS has made much progress in acquisition management, our reports point to a continuing need for a strong central authority and uniform policies and procedures.

Challenges Transforming IT Systems

The Department is not addressing IT systems holistically. In attempting to modernize their systems, multiple components continue to struggle with outdated legacy IT (including financial) systems, cost overruns, security concerns, functionality issues, and a lack of resources and processes to address user needs.

The Department faces challenges implementing its Enterprise Data Strategy. Although it has started a number of initiatives and working groups that have coordinated and monitored data investments across components, officials said the Department could provide additional assistance. Finalizing its implementation plans is essential to DHS moving forward with the Enterprise Data Strategy and ensuring department-wide standardization, interoperability, accessibility, and inventory of its data assets.

USCIS recently began addressing multiple problems trying to automate application processing for immigration benefits through the Electronic Immigration System (ELIS). A series of audits disclosed a pattern of problems with ELIS performance and functionality, deficiencies in system capabilities that users need to process benefits and services, significant performance problems, system outages, and problems with system interfaces. Primarily because of technical and functional deficiencies, USCIS issued nearly 20,000 "green cards" in error. ELIS also hindered USCIS staff in their efforts to process naturalization benefits, slowing processing and productivity and allowing cases to move forward in processing despite incomplete or inaccurate background and security checks.

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CBP's IT systems and infrastructure did not fully support its objective of preventing the entry of inadmissible aliens to the country. The slow performance of a critical pre-screening system greatly reduced officers' ability to identify passengers who may be of concern or represent a national security threat. Further, frequent system outages hampered international passenger screening at airports. IT systems and infrastructure hindered border security activities between ports of entry, creating excessive processing backlogs. Frequent network outages hindered air and marine surveillance operations. CBP has not yet addressed these long-standing IT systems and infrastructure challenges, due in part to ongoing budget constraints.

ICE personnel investigating in-country visa overstays had to piece together information from dozens of systems and databases, some of which were not integrated and did not electronically share information. Despite previous efforts to improve information sharing, the DHS Chief Information Officer did not provide the oversight and centralized management needed to address these issues. Additionally, ICE did not ensure that its field personnel received the training and guidance needed to properly use the systems currently available to conduct visa overstay tracking. Manual checking across multiple systems used for visa tracking contributed to backlogs in casework and delays in investigating suspects who potentially posed public safety or homeland security risks.

The Way Forward

According to GAO, five elements are key to making progress in high-risk areas: leadership commitment, capacity, an action plan, monitoring, and demonstrated progress. DHS leadership has not always exhibited sustained commitment to fully integrating its components. The Department also lacks a clear structure of internal controls to define priorities for the future, assess overall risk, examine and monitor the performance of current programs and operations, communicate quality information, and ensure accountability. Each of these elements of internal control is especially critical with the ever increasing attention on national security issues, such as border control and immigration enforcement, which will exert sustained pressure on DHS to achieve its mission.

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Although the Department consistently implements recommendations from OIG reports, it has yet to demonstrate clear progress in addressing management and performance challenges comprehensively. The current flat and decentralized management will continue to move from crisis to crisis without making headway. Incorporating Unity of Effort fundamentals into programs and operations and articulating a long-term vision, driving integration, and ensuring informed decision making will better position DHS leadership to overcome these challenges.

Additional Information and Copies

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For further information or questions, please contact Office of Inspector General Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov.
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Office of Inspector General, Mail Stop 0305
Attention: Hotline
245 Murray Drive, SW
Washington, DC 20528-0305

Management's Response to OIG's Report on Major Management and Performance Challenges Facing the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528

Homeland
Security

November 13, 2017

MEMORANDUM FOR: John Roth
Inspector General

FROM: Chip Fulghum
Deputy Under Secretary for Management

SUBJECT: Management Response to OIG's Report: "Major Management and Performance Challenges Facing the Department of Homeland Security" (OIG-17-08, dated November 3, 2017)

Thank you for the Office of Inspector General's (OIG's) annual report summarizing what you believe are the most serious management and performance challenges facing the Department of Homeland Security (DHS). Senior leadership continues to appreciate your independent and unbiased perspective on Departmental performance and values the open and transparent relationship it has with the OIG.

The OIG's new approach this year in highlighting "underlying causes" of the challenges identified in the report provides a valuable input. It is important to note, however, that by taking this high-level approach, the report understates a number of significant efforts during the last few years that are leading to greater unity of effort amongst DHS Headquarters offices and the Operating Components.

These efforts include the continued maturation of the DHS Joint Requirements process and DHS Joint Task Forces, as well as an ongoing 12-region "field efficiency" initiative that is taking a Department-wide view of all mission support activities to identify and implement colocation and consolidation opportunities to increase DHS Component operations' effectiveness and efficiency.

DHS has also developed and submitted to Congress, the Administration, and the public a set of more extensive border security and immigration performance measures that will be used to assess and refine existing Department policies, strategies, and operations. To further this effort, DHS has established a DHS Immigration Data Integration Initiative to develop DHS-wide data collection and sharing standards to aid in Component investigations, border security operations, analysis, and reporting.

In addition, the DHS Office of the Chief Human Capital Officer (OCHCO) has aggressively tackled the Department's workforce challenges through a collaborative and innovative approach. Starting with workforce planning, OCHCO has led Components through the successful creation of the Department's first ever position database, incorporating Common Appropriations

Structure Program/Project/Activity data on 84 percent of all positions, and documentation of manpower models on 50 percent of all positions. Recruiting is no longer a "hit or miss" opportunity, but instead is driven by a Corporate Recruiting Council that has analyzed recruiting and applicant data driving the Department to joint hiring events, such as cyber, students, and veterans, resulting in hundreds of mission-critical positions being filled that historically remained vacant. By using extensive data analysis, DHS is now able to see the recruiting, hiring, and attrition trends across the Department, leading to innovative approaches such as hiring hubs and tackling time to hire that has seen a marked improvement over the past couple of years. All of these efforts are underpinned by a robust strategy and governance of our Human Resource Information Technology, leading to a cost savings of close to $400,000 a year by consolidating agreements with staffing systems.

The OIG emphasis on establishing greater unity within the Department is a familiar clarion call for DHS and one the Department has tried to answer, as witnessed by recent Secretary-directed efforts, including "One DHS" and the "Unity of Effort Initiative." Both of these efforts had merit in their design and vision and, as the report alludes, proactive, sustained leadership is essential to drive management reform changes like these within federal departments and agencies. As to the way forward for DHS, the pending confirmation of a new DHS Secretary, who noted in her testimony a commitment to "continuing efforts like Secretary Johnson's Unity of Effort Initiative to unite DHS and remove unnecessary stovepipes," will reinforce this important business and operations management reform work. We anticipate that, if confirmed, the new Secretary will continue to prioritize the ongoing actions noted, as well as identify others that focus on improved leadership and internal controls at all DHS organizational levels.

Congressional actions may also impact the way forward for DHS's management reform. Specifically, Congress could provide an additional boost to Unity of Effort reform if its current effort to pass the first-ever DHS reauthorization bill, which will update Departmental roles and responsibilities, establish corresponding oversight and accountability of DHS leadership and, by extension, strengthen the internal control environment, is successful.

Thank you again for your report. Please do not hesitate to contact me or, alternatively, Jim H. Crumpacker, the Director of our Departmental GAO-OIG Liaison Office, if you or your staff have any questions about actions we have already taken, on-going, or planned to address our most pressing management and performance challenges. We look forward to our continuing interactions with the dedicated professionals of the OIG, which truly help make us better.

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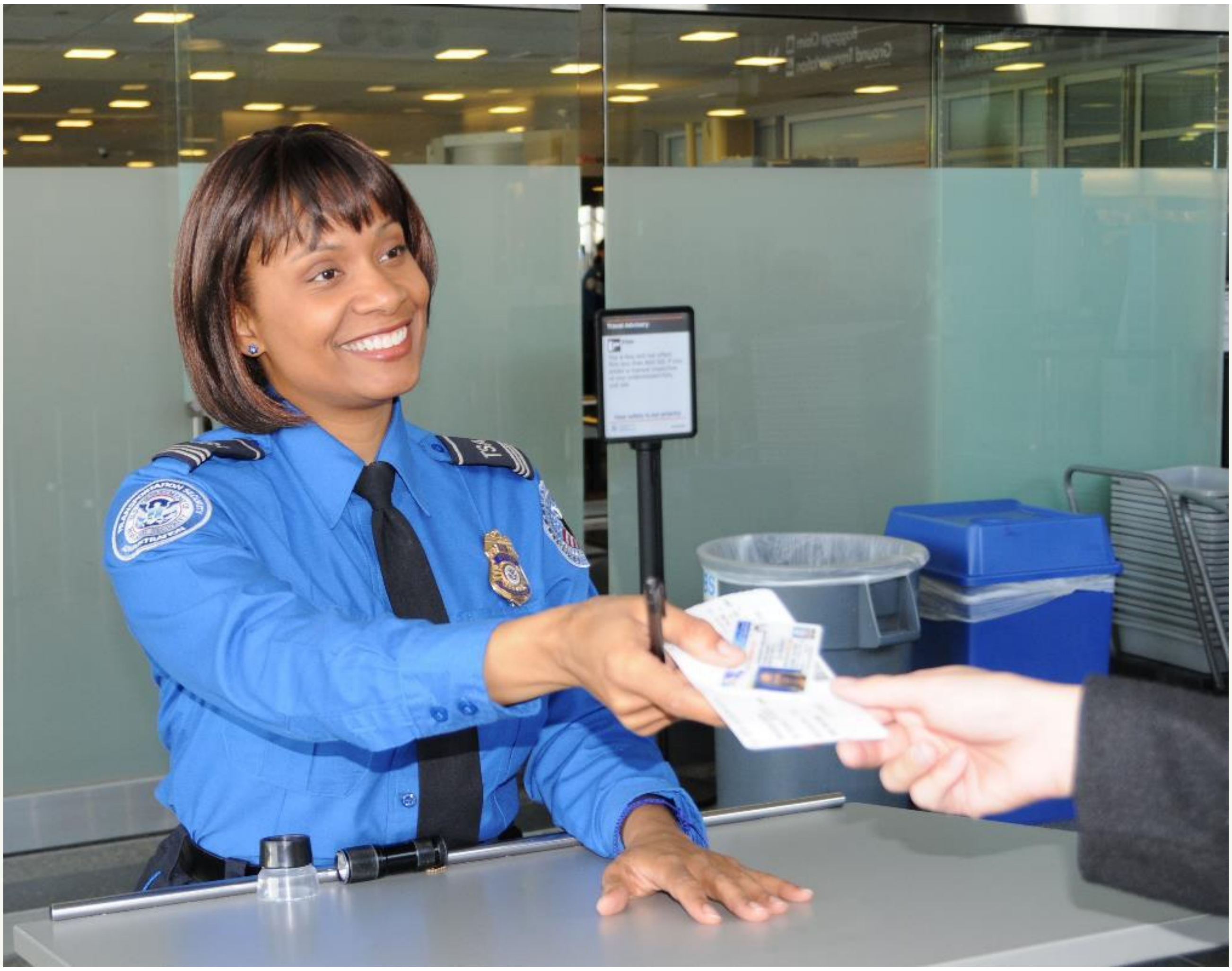
Acronym List



Acronyms

AFG – Assistance to Firefighters Grants
AFR – Agency Financial Report
AUO – Administratively Uncontrollable Overtime
CBP – U.S. Customs and Border Protection
CDL – Community Disaster Loans
CDM – Continuous Diagnostics and Mitigation
CDP – Center for Domestic Preparedness
CEAR – Certificate of Excellence in Accountability Reporting
CFATS – Chemical Facility Anti–Terrorism Standards
CFO – Chief Financial Officer
CFR – Code of Federal Regulations
CIO – Chief Information Officer
COBRA – Consolidated Omnibus Budget Reconciliation Act of 1985
COTS – Commercial Off–the–Shelf
CSATS – Chemical Security Assessment Tool
CSRS – Civil Service Retirement System
CY – Current Year
DADLP – Disaster Assistance Direct Loan Program
DC – District of Columbia
DCIA – Debt Collection Improvement Act of 1996
DHS – Department of Homeland Security
DIEMS – Date of Initial Entry into Military Service
DMO – Departmental Management and Operations
DNDO – Domestic Nuclear Detection Office
DOD – U.S. Department of Defense
DOI IBC – Department of the Interior's Interior Business Center
DOL – U.S. Department of Labor
E3A – EINSTEIN 3 Accelerated
EEI – Employee Engagement Index
EDS – Explosive Detection System
EMI – Emergency Management Institute
EO – Executive Order
ERM – Enterprise Risk Management
ERO – Enforcement and Removal Operations
FAA – DHS Financial Accountability Act
FBwT – Fund Balance with Treasury
FCRA – Federal Credit Reform Act of 1990
FDNS – Fraud Detection and National Security Directorate
FECA – Federal Employees Compensation Act of 1916
FEMA – Federal Emergency Management Agency
FERS – Federal Employees Retirement System
FEVB – Federal Employee and Veterans' Benefits
FEVS – Federal Employee Viewpoint Survey
FFMIA – Federal Financial Management Improvement Act of 1996
FIID – Fraud and Internal Investigations Division
FISMA – Federal Information Security Management Act
FLETC – Federal Law Enforcement Training Centers
FMFIA – Federal Managers' Financial Integrity Act
FSM – Financial Systems Modernization
FY – Fiscal Year
GAAP – Generally Accepted Accounting Principles
GAO – U.S. Government Accountability Office
GSA – General Services Administration
GSI – Global Satisfaction Index
HSGP – Homeland Security Grant Program
HRM – Human Resource Management
HSI – Homeland Security Investigations
HS-STEM – Homeland Security Science, Technology, Engineering, and Mathematics
I&A – Office of Intelligence and Analysis
ICE – U.S. Immigration and Customs Enforcement
IEFA – Immigration Examination Fee Account
IMATs – Incident Management Assistance Team
INA – Immigration Nationality Act

IP – Improper Payment
IPERA – Improper Payments Elimination and Recovery Act of 2010
IPERIA – Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA – Improper Payments Information Act of 2002
IT – Information Technology
JRC – Joint Requirements Council
JTF – Joint Task Force
MERHCF – Medicare–Eligible Retiree Health Care Fund
MGMT – Management Directorate
MHS – Military Health System
MRS – Military Retirement System
MTS – Metric Tracking System
NCEPP – National Cyber Exercise and Planning Program
NFIP – National Flood Insurance Program
NPPD – National Protection and Programs Directorate
NPSC – National Processing Service Centers
NSSE – National Special Security Events
OHA – Office of Health Affairs
OIG – Office of Inspector General
OMB – Office of Management and Budget
OM&S – Operating Materials and Supplies
OPA – Oil Pollution Act of 1990
OPEB – Other Post Retirement Benefits
OPM – Office of Personnel Management
OPMAT – Operation Matador
OPS – Office of Operations Coordination
ORB – Other Retirement Benefits
OSLTF – Oil Spill Liability Trust Fund
PP&E – Property, Plant, and Equipment
Pub. L. – Public Law
PY – Prior Year
RM&A – Risk Management and Assurance
RFID – Radio Frequency Identification
RNROC – Radiological/Nuclear Requirements Oversight Council
RtF – Reduce the Footprint
SAT – Senior Assessment Team
SBR – Statement of Budgetary Resources
SF – Square Feet
SFFAS – Statement of Federal Financial Accounting Standards
SFRBTF – Sport Fish Restoration Boating Trust Fund
SMC – Senior Management Council
SOS – Schedule of Spending
SPR – State Preparedness Report
S&T – Science and Technology Directorate
TAFS – Treasury Account Fund Symbol
TCM – Trade Compliance Measurement
TCO – Transnational Criminal Organizations
THIRA – Threat and Hazard Identification and Risk Assessment
TSA – Transportation Security Administration
TSGP – Transit Security Grants Program
U.S. – United States
USC – United States Code
USCG – U.S. Coast Guard
USCIS – U. S. Citizenship and Immigration Services
USSS – U.S. Secret Service
VA – U.S. Department of Veterans Affairs
VP – Vendor Pay
WYO – Write Your Own

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- Within the Office of the Chief Financial Officer, the division of Financial Management is responsible for financial management policy, preparing annual financial statements and related notes and schedules, and coordinating the external audit of the Department's financial statements.
- The division of Risk Management and Assurance provides direction in the areas of internal control to support the Secretary's assurance statement, risk management, and improper payments.
- The division of Program Analysis and Evaluation conducts analysis for the Department on resource allocation issues and the measurement, reporting, and improvement of DHS performance, and coordinates the Performance Overview section of the AFR.
- The division of GAO-OIG Audit Liaison facilitates Department relationships with audit organizations and coordinates with OIG on the Management Challenges report.

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