Financial Management Challenges

What GAO Found

One of the challenges DHS faces is obtaining an unqualified financial statement audit opinion and fixing the previously identified internal control weaknesses that the department inherited from component agencies, as well as newly identified weaknesses. Component agencies took action to resolve 9 of the 30 internal control weaknesses DHS inherited, while 9 of the inherited weaknesses were combined and reported as material weaknesses in DHS's first Performance and Accountability Report and 5 were reported as reportable conditions. The remaining 7 inherited weaknesses were classified as observations and recommendations to management. In addition, improper payments, a significant and widespread challenge facing the federal government, can typically be traced to a lack of or breakdown in internal control. DHS would be remiss to not pay adequate attention to developing a strong internal control environment at the department.

According to DHS officials, the department is in the early stages of acquiring a financial enterprise solution to consolidate and integrate its financial accounting and reporting systems. Similar projects have proven challenging and costly for other federal agencies. For example, efforts at the National Aeronautics and Space Administration failed to meet the needs of users and key stakeholders. To avoid similar problems, DHS must ensure commitment and extensive involvement from top management and users in the financial system development and integration.

Currently, DHS is the only cabinet-level department in the federal government that is not subject to the CFO Act. As such, this department, with a fiscal year 2004 budget of nearly $40 billion and more than 180,000 employees, does not have a presidentially appointed CFO subject to Senate confirmation and is not required to comply with the requirements of FFMIA. DHS should not be the only cabinet-level department not covered by what is the cornerstone for pursuing and achieving the requisite financial management systems and capabilities in the federal government. S. 1567 would, among other things, amend the CFO Act to (1) add DHS as a CFO Act agency, and (2) require DHS to obtain an audit opinion on its internal controls. Enactment of this legislation will increase the likelihood that the financial management challenges at DHS will be overcome.