Transforming Departmentwide Financial Management Systems Remains a Challenge

What GAO Found

DHS began implementation of the Electronically Managing Enterprise Resources for Government Effectiveness and Efficiency (eMerge) program in January 2004 to integrate financial management systems across the entire department and to address the multitude of financial management weaknesses DHS inherited. In December 2005, the DHS Chief Financial Officer (CFO) decided not to exercise the next contract option with the systems integrator, and by September 2006, DHS's new CFO stated that eMerge was officially "dead." DHS officials have stated that about $52 million was spent on this project before it was halted but could not provide documentation to support this amount. DHS's decision to end the project before spending an estimated $229 million was prudent; however, the agency has made little progress since that time and as a result has missed an invaluable opportunity to address existing financial management problems.

While DHS officials have recognized the need for an integrated financial management system, the department has not yet developed an overall transformation strategy that includes financial management policies and procedures, standard business processes, a human capital strategy, and effective internal controls. DHS officials have acknowledged that the Internal Controls Over Financial Reporting Playbook issued in March 2007 has a policy and process focus and does not comprise a strategy for financial systems modernization. DHS's recently developed high-level financial management systems strategy, the Transformation and Systems Consolidation, focuses on leveraging existing systems investments across DHS components and is still in the early stages of development. More detailed implementation strategies will be necessary to fully address financial management system integration efforts.

Consolidating financial management systems for an entity as large and diverse as DHS poses significant management challenges. DHS also has an opportunity to reap substantial benefits by reengineering business processes and standardizing those processes in terms of both productivity gains and staff portability across the various components. Based on industry best practices, GAO has identified four key building blocks that will be critical to DHS's ability to successfully complete its financial management transformation:

- developing a concept of operations,
- defining standard business processes,
- developing a migration and/or implementation strategy for DHS components, and
- defining and effectively implementing disciplined processes necessary to properly manage the specific projects.

Fully embracing these four building blocks and human capital best practices will be critical to the success of any future financial management plan or strategy that addresses implementing and/or migrating to an integrated departmentwide financial management system at DHS.

Why GAO Did This Study

Since 2003, when the Department of Homeland Security (DHS) began operations, it has faced the difficult challenge of bringing together 22 diverse agencies and developing an integrated financial management system to provide reliable, timely, and useful financial information. GAO's 2007 report, Homeland Security: Departmentwide Integrated Financial Management Systems Remain a Challenge, GAO-07-536, emphasized the key issues related to DHS attempting to transform its financial management systems.

For today's hearing, this testimony, based on GAO's recent report, (1) summarizes DHS's financial system transformation efforts, (2) points out key financial system transformation challenges at DHS, and (3) highlights the building blocks that DHS should consider to form the foundation for successful financial management system transformation efforts.

What GAO Recommends

Though there are no recommendations in this statement, in its related report (GAO-07-536), GAO made six recommendations focused on the need for DHS to define a departmentwide financial management strategy and embrace best practices, including human capital practices, to foster its systems integration effort. DHS concurred with GAO's recommendations.