DHS FINANCIAL MANAGEMENT

Actions Needed to Improve Systems Modernization and Address Coast Guard Audit Issues

Why GAO Did This Study

Since DHS’s creation in 2003, it has faced significant internal control and financial management systems deficiencies. These issues contributed to GAO designating DHS financial management as high risk. To address its financial management issues, DHS is executing a multiyear plan, to include implementing modern financial management systems at its components, including Coast Guard, FEMA, and ICE.

In this report, GAO (1) describes the oversight, program management, plans, and lessons learned from past and current financial systems modernization efforts; (2) examines the extent to which the Coast Guard is achieving expected capabilities with its newly deployed financial management system; and (3) examines the extent to which Coast Guard has addressed audit findings related to financial reporting and IT system weaknesses.

GAO met with DHS officials, reviewed key documents and plans related to modernization efforts, and assessed Coast Guard corrective action plans to address fiscal year 2021 audit findings.

What GAO Found

The Department of Homeland Security (DHS) has defined and implemented a tiered governance structure to provide oversight of its financial systems modernization programs. In 2018, DHS also established the Joint Program Management Office to lead all aspects of the modernization programs, in partnership with DHS components. DHS has both department-level and program-specific plans to modernize financial systems. Financial systems modernization plans at selected DHS components include U.S. Coast Guard, Federal Emergency Management Agency (FEMA), and U.S. Immigration and Customs Enforcement (ICE), among others.

- **Coast Guard** deployed its new financial management system in December 2021 as part of a $510 million modernization program, and declared initial operational capability in June 2022. However, Coast Guard did not achieve expected full operational capability in December 2022. The program office is developing a remediation plan.

- **FEMA and ICE** are in the planning phases of their financial systems modernization efforts. In November 2022, DHS awarded contracts for software licenses and stated that it plans to award contracts for system integration services for these components.

Additionally, DHS established a process and continues to document and consider lessons learned from current and past modernization attempts. These lessons are to be shared with upcoming modernization programs.

Although DHS identified, documented, and tracked metrics to assess Coast Guard’s system deployment, DHS found that the system was not achieving expected capabilities. This is because DHS did not address and remEDIATE known issues identified in operational testing. DHS’s subsequent operational testing and evaluation of the system found that it was not effective, responsive, or reliable. Therefore, DHS could not proceed to full operational capability of the system. It is now in the process of developing a remediation plan to address outstanding issues.

DHS risks not fully achieving its goal of deploying systems that produce reliable data for management decision-making and financial reporting if it does not remediate serious issues identified by testing. Resolving deficiencies identified by testing before proceeding to the next phase in the acquisition process can help reduce the risk that future system modernization efforts at FEMA and ICE will not meet mission needs or expected capabilities.

GAO also found that corrective action plans Coast Guard developed to address its fiscal year 2021 audit findings did not always contain all of the data attributes recommended in applicable guidance. For example, although DHS guidance emphasizes the importance of root cause analyses in resolving deficiencies, such analyses were often not done. Therefore, Coast Guard is at an increased risk that its corrective actions will not effectively address identified deficiencies.