

Integrated Strategy for High-Risk Management

Strengthening DHS Information Technology Security and Financial Management

A Biannual Update to the Government Accountability Office

March 2023



**Homeland
Security**



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Security

March 31, 2023

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

Dear Comptroller General Dodaro:

On behalf of the Department of Homeland Security (DHS), I am pleased to submit the enclosed update to the DHS *Integrated Strategy for High-Risk Management (Integrated Strategy)*.¹ In the transmittals for our March and September 2022 *Integrated Strategy* updates, we asked the Government Accountability Office (GAO) to carefully consider removing *Strengthening Department of Homeland Security Management Functions* from the High-Risk List in GAO's 2023 High-Risk Series report. We appreciate GAO's positive engagement with the Department on our request, especially the DHS-wide leadership meetings held during the past year. At the March 21, 2023, meeting with DHS Deputy Secretary John Tien, you indicated your support for narrowing the scope of this High-Risk area to focus on the unresolved financial management and information technology (IT) outcomes. The Department greatly appreciates your recognition of our continued progress to resolve risk. Accordingly, this update is limited to statuses and plans for the remaining outcomes.

In financial management, DHS has progressed with modernization of outdated financial management systems. The Department's highest modernization priority was the U.S. Coast Guard (USCG) legacy system, which had cybersecurity weaknesses and lacked necessary business functionality, forcing USCG staff to perform key processes manually outside the system. In FY 2021, DHS moved the Transportation Security Administration, which shared USCG's system, to a modern platform. In FY 2022, DHS moved USCG itself to the same modern platform, allowing USCG to sunset its legacy system. Throughout FY 2022, the Acting Chief Financial Officer assisted USCG as they worked to stabilize operations on the new system. At the end of FY 2022, the Department earned its 10th consecutive unmodified financial statement audit opinion.²

Early in FY 2023, DHS awarded contract task orders to obtain modern financial software for the Federal Emergency Management Agency, U.S. Immigration and Customs Enforcement

¹ The *Integrated Strategy*, published every six months since 2011, outlines the Department's framework for addressing the *Strengthening Department of Homeland Security Management Functions* issue area on the GAO High-Risk List.

² DHS Inspector General Report OIG-23-02, *Independent Auditors' Report on the DHS Consolidated Financial Statements for FY 2022 and FY 2021 and Internal Control over Financial Reporting*, November 15, 2022.

(ICE), and certain other DHS organizations that use ICE’s legacy system. By the end of FY 2023, DHS anticipates awarding task orders for system integration services, with implementation activities beginning in FY 2024. After completing these modernization efforts later this decade, the Department will be able to earn an unmodified audit opinion on its internal control over financial reporting, a statutory requirement that is unique to DHS.

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

This year, the Department is celebrating its 20th anniversary which provides an opportunity to reflect on the progress DHS has made since GAO initially designated “Implementing and Transforming DHS” as a high-risk area in 2003. Today, DHS has a robust management structure that effectively supports its vast missions and global workforce. Through many years and different administrations, senior DHS leadership’s focus has not let up, nor has the Department’s commitment to maintaining a constructive partnership with GAO. This is evidenced by Secretary Mayorkas’s 2023 Priorities, which include “addressing internal and external oversight recommendations, including priority GAO recommendations” as a cross-functional priority that underpins our critical mission. In short, across the Department, DHS’s leadership commitment will continue.

We greatly appreciate GAO’s recognition of our progress and look forward to continued partnership as we work to resolve our remaining challenges.

Sincerely

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D ALLES**  Digitally signed by
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R.D. Alles
Senior Official Performing the Duties of the Under
Secretary for Management



Progress on GAO High-Risk Outcomes

In 2010, GAO identified 30 outcomes and DHS agreed that achieving these goals were critical to addressing challenges within the Department’s management areas. Those outcomes covered the following functional areas: financial management, human capital, information technology, acquisition, and management integration. The Department first issued the *Integrated Strategy* in 2011 and has maintained a practice of updating GAO on its progress twice a year.¹ In general, the *Integrated Strategy* report provides updated action plans for the outcomes that have not yet achieved a Fully Addressed rating from GAO.

Since that time, the Department has made significant progress and addressed the majority of the identified outcomes.² As such, in January 2023, GAO informed the Department that the scope of this High-Risk area would be narrowed to “Strengthening DHS Information Technology Security and Financial Management” and focus only on the remaining nine outcomes in the related functional areas. Please see Table 1 for a summary of the remaining outcomes.

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

- **Fully Addressed:** Outcome is fully addressed.
- **Mostly Addressed:** Progress is significant and a small amount of work remains.
- **Partially Addressed:** Progress is measurable, but significant work remains.
- **Initiated:** Activities have been initiated to address the outcome, but it is too early to report progress.³

Table 1. Summary of DHS’s GAO Outcome Ratings by Functional Area (2023)

Functional Area	Total GAO Outcomes	Fully Addressed	Mostly Addressed	Partially Addressed	Initiated
Financial Management	8	2	0	3	3
Information Technology Management	1	0	0	1	0
Total as of March 2023	9	2	0	4	3

¹ Congress codified this practice by requiring DHS to report to GAO every six months. *National Defense Authorization Act for Fiscal Year 2017*, Public Law 114-328 § 1903(b) ((codified at 6 U.S.C. § 341(a)(11)), page 674.

² On July 27, 2022, GAO provided DHS with updated outcome ratings which will be published in the 2023 update to the High-Risk List report.

³ GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, GAO-21-119SP (Washington, D.C.: March 3, 2021), page 180.



Progress on GAO High-Risk Outcomes



Progress on GAO High-Risk Outcomes



Financial Management Outcomes #2 and #4

Outcome Lead: Alyssa Smiley

Outcome Executive: Stacy Marcott

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

DHS Successes: DHS has proven its capacity and capability for strong financial reporting and management, as noted by ten consecutive unmodified (“clean”) financial statement opinions and the reduction of material weaknesses from ten in 2006 down to two by 2021. Specifically, in FY 2020 DHS was able to fully remediate a long-standing significant deficiency over Property, Plant, and Equipment. Furthermore, the Department remediated the portion of the Financial Reporting material weakness associated with actuarial retirement liabilities – these liabilities totaled \$67.3 billion at the end of FY 2020 – roughly half of total DHS liabilities. In FY 2021, DHS downgraded the Journal Voucher and Beginning Balance deficiency from being a contributor to the Financial Reporting material weakness. While additional challenge areas were noted in FY 2022 that resulted in four areas of material weakness being identified, DHS remains committed to resolving these deficiencies. Given this demonstrated record of success, DHS does not believe that the current modified opinion on ICOFR poses a substantial, unmitigated risk to successful financial management at DHS.

GAO 2023 Outcome Rating: FM 2



GAO 2023 Outcome Rating: FM 4



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

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

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

In December 2021, the United States Coast Guard (USCG) underwent a major financial systems modernization effort that included transitioning to a new financial management system, the Financial Systems Modernization Solution (FSMS) (see FM Outcome #6). Transition to a modernized financial system will have benefits for USCG financial operations and reporting going forward. However, challenges with the initial USCG transition to FSMS from the legacy application has had substantial impacts to many of the Component’s business processes. As a result, internal control over financial reporting deficiencies were identified and reported in FY 2022. In addition, the late fiscal year landfall of Hurricane Ian resulted in a large-scale Federal Emergency Management Agency (FEMA) response to assist the impacted region. Despite timing challenges, FEMA maintains focus on Hurricane Ian response and continues to support these efforts financially through grants, disaster loans, and flood insurance



CURRENT STATUS

payments. Consequently, in FY 2022, DHS received a modified opinion on internal control over financial reporting that cited four areas of material weaknesses: 1) Financial Reporting, 2) IT Controls and Information Systems, 3) Insurance Liabilities, and 4) New System Obligations.

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

OUTCOME ACTION PLAN

Actions	Projected Date	Actual Date	Reason for change/notes
(FM 4) Sustain an unmodified (i.e., clean) opinion on internal control over financial reporting for two consecutive years (i.e., FY 2027 and FY 2028).	November 2029		Targeting a Fully Addressed rating. The independent auditor will issue its report for FY 2029 in November 2029.
(FM 4) Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2029		Components identify risks that could prevent sustainment of progress and develop appropriate risk response.
(FM 4) DHS CFO to oversee and review A-123 results.	March, June, and August 2029		CFO incrementally reviews Component A-123 assessment results and sustains progress.
(FM 4) Demonstrate measurable progress by continuing to reduce weaknesses in internal control and business processes.	November 2028		Targeting a Mostly Addressed Rating The independent auditor will issue its report for FY 2028 in November 2028. This should be noted as “Mostly Addressed” when DHS Financial Management Outcome #2 is noted as “Fully Addressed”. DHS proposes this Outcome be considered Mostly Addressed when all areas of material weakness have been reduced to a significant deficiency.
(FM 2) Obtain an unmodified (i.e., clean) opinion on internal control over financial reporting for FY 2027.	November 2028		Targeting a Fully Addressed rating. The independent auditor will issue its report for FY 2028 in November 2028. Adjusted date because of system modernization efforts planned as well as select, complex deficiencies taking longer to fix than originally anticipated.



OUTCOME ACTION PLAN			
Actions	Projected Date	Actual Date	Reason for change/notes
			DHS proposes this outcome be considered Fully Addressed when no material weaknesses exist, and minimal significant deficiencies remain.
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2028		Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
DHS CFO to review and validate Component completed remediation steps.	March, June, and August 2028		DHS CFO incrementally reviews and validates remediation steps completed by Components.
DHS CFO will work with Components to assess FY 2026 audit risks and develop corrective actions.	January / February 2028		
(FM 4) Demonstrate measurable progress by continuing to reduce weaknesses in internal control and business processes.	November 2027		<p>Targeting a Partially Addressed Rating</p> <p>DHS proposes this Outcome be considered Partially Addressed when the Financial Reporting or IT material weakness area is reduced to a significant deficiency. This should be noted as “Partially Addressed” when DHS Financial Management Outcome #2 is noted as “Mostly Addressed”.</p> <p>DHS has designed a repeatable process to address the audit conditions. Enhanced audit scope and deficiencies highlighted related to Information Produced by the Entity that will take additional time to remediate.</p>
(FM 2) Demonstrate measurable progress by continuing to reduce weaknesses in internal control and business processes.	November 2027		<p>Targeting a Mostly Addressed rating.</p> <p>The independent auditor will issue its report for FY 2027 in November 2027.</p> <p>DHS has designed a repeatable process to address the audit conditions and will be executing designed controls and testing to demonstrate effectiveness.</p> <p>DHS proposes this outcome be considered Mostly Addressed when the Financial Reporting or IT material weakness area is reduced to a significant deficiency.</p>
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2027		Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.



OUTCOME ACTION PLAN

Actions	Projected Date	Actual Date	Reason for change/notes
DHS CFO to review and validate Component completed remediation steps.	March, June, and August 2027		DHS CFO incrementally reviews and validates remediation steps completed by Components.
DHS CFO will work with Components to assess FY 2026 audit risks and develop corrective actions.	January / February 2027		
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2026		Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
DHS CFO to review and validate Component completed remediation steps.	March, June, and August 2026		DHS CFO incrementally reviews and validates remediation steps completed by Components.
DHS CFO will work with Components to assess FY 2025 audit risks and develop corrective actions.	January / February 2026		
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2025		Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
DHS CFO to review and validate Component completed remediation steps.	March, June, and August 2025		DHS CFO incrementally reviews and validates remediation steps completed by Components.
DHS CFO will work with Components to assess FY 2024 audit risks and develop corrective actions.	January / February 2025		
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2024		Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
DHS CFO to review and validate Component completed remediation steps.	March, June, and August 2024		DHS CFO incrementally reviews and validates remediation steps completed by Components.
DHS CFO will work with Components to assess FY 2023 audit risks and develop corrective actions.	January / February 2024		
Components re-evaluate risks to sustaining a clean audit opinion and reducing weaknesses in internal control and business processes.	March, June, and August 2023		Partially completed. Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
DHS CFO to review and validate Component completed remediation steps.	March, June, and August 2023		Partially completed. DHS CFO incrementally reviews and validates remediation steps completed by Components.



OUTCOME ACTION PLAN

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



Financial Management Outcome #5

Outcome Lead: Alyssa Smiley

Outcome Executive: Stacy Marcott

GAO Outcome: Achieve substantial compliance with the *Federal Financial Management Improvement Act of 1996* (FFMIA) as reported annually by its independent auditors in accordance with the Act.¹

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

GAO 2023 Outcome Rating

Initiated	Partially Addressed	Mostly Addressed	Fully Addressed
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CURRENT STATUS

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

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

- Requiring Components to document necessary actions to remediate information technology (IT) security control weaknesses in their corrective action plans. The Department’s independent auditor reviews Component compliance with FFMIA annually.
- Continuing remediation efforts to downgrade the Financial Reporting and the IT weakness areas by FY 2028 in order to meet OMB Circular A-123 Appendix D requirement for complying with FFMIA.
- Assessing the Department's FFMIA compliance utilizing the compliance framework as outlined in OMB Circular A-123. DHS plans to be FFMIA-compliant by FY 2028, as the Department expects to remediate the IT and Financial Reporting areas of material weakness by then, as well as achieve compliance with the Federal Information Security Modernization Act of 2014.

For FY 2023, Components have submitted commitment letters to the DHS leadership highlighting each Component’s plan and timeline to perform / submit assessment and remediation deliverables in support of the ICOFR business processes as well as for the CFO Designated Systems. Remediation and assessment efforts are ongoing in support of the Department’s find, fix, test, and assert strategy.

¹ *Federal Financial Management Improvement Act (FFMIA)*, Congress Public Law No. 104-208, 104th, September 30, 1996.

² Office of Management and Budget, *Management’s Responsibility for Internal Control*, OMB Circular A-123 (Washington, D.C.: September 20, 2013), Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*.



OUTCOME ACTION PLAN

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



OUTCOME ACTION PLAN

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



OUTCOME ACTION PLAN

Actions	Projected Date	Actual Date	Reason for change/notes
Components re-evaluate risks to sustain a clean audit opinion and reduce weaknesses in internal control and business processes.	March, June, and August 2024		Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Conduct quarterly risk assessments and incorporate results into Component risk management plans through recurring quarterly meetings.	December 2023; April and July 2024		Risk assessment meetings track progress being made on areas needing most improvement, or areas that would significantly impact ability to reduce weaknesses in internal control and business processes.
DHS CFO to engage with Component CFOs to review the status of addressing audit findings, risks, and mitigation strategies.	December 2023 through August 2024		Monthly action conducted each year.
Components re-evaluate risks to sustain a clean audit opinion and reduce weaknesses in internal control and business processes.	March, June, and August 2023		Partially completed. Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring.
Conduct quarterly risk assessments and incorporate results into Component risk management plans through recurring quarterly meetings.	December 2022; April and July 2023		Partially completed. Risk assessment meetings track progress being made on areas needing most improvement, or areas that would significantly impact ability to reduce weaknesses in internal control and business processes.
DHS CFO to engage with Component CFOs to review the status of addressing audit findings, risks, and mitigation strategies.	December 2022 through August 2023		Partially completed. Monthly action conducted each year.
Components re-evaluate risks to sustain a clean audit opinion and reduce weaknesses in internal control and business processes.	March, June, and August 2022	March, June, and August 2022	Completed. Components review the results of testing for the second and third quarters to continue to assess their progress as part of routine monitoring (conducted each year).
Conduct quarterly risk assessments and incorporate results into Component risk management plans through recurring quarterly meetings.	December 2021; April and July 2022	December 2021; April and July 2022	Completed (conducted each year).



OUTCOME ACTION PLAN

Actions	Projected Date	Actual Date	Reason for change/notes
The Independent Auditor's Report notes further improvement in Component FFMIA compliance and indicates a reduction in the number of Components contributing to the IT and Financial Reporting conditions.	November 2016	November 2020	Completed. While DHS had planned to clear the Financial Reporting material weakness in the FY 2020 audit report, both the Financial Reporting and Information Technology material weaknesses remain. However, DHS was able to clear the Property, Plant, and Equipment significant deficiency and removed a Component from contributing to the IT area of material weakness.



Financial Management Outcomes #6–8

Outcome Lead: Jeffrey Bobich

Outcome Executive: Stacy Marcott

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

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

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

GAO 2023 Outcome Rating: FM 6 (USCG)



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



CURRENT STATUS

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

The system integrator delivered all TSA functionality in FY 2020, and TSA went live on the solution in Q1 FY 2021. In Q3 FY 2021, the solution was moved to a cloud environment. USCG successfully transitioned to the solution in Q1 FY 2022. In December 2021, DHS provided GAO notice of USCG’s completed transition to the new financial system and requested GAO update the status of FM 6 to “Fully Addressed.” In July 2022, GAO stated that they are waiting on the FY 2022 USCG audit report and results from the full operating capability assessment before making a decision on whether to change the status of this outcome. While DHS earned an unmodified (or “clean”) financial statement audit opinion in FY 2022, Full Operational Capability (FOC) has not yet been declared due to certain lingering system issues. Outcome 6 will be fully addressed when FOC is achieved.

FEMA (FM 7) and ICE and ICE Customers (FM 8):

- The procurement process to select software and integration service providers for FEMA and ICE is currently in progress. DHS awarded software task orders in November 2022. Subsequent to award, a protest was filed but resolved favorably in January 2023. DHS anticipates awarding integration task orders by the end of Fiscal Year 2023. Following those awards, DHS will conduct a discovery process with the software vendors and integrators. Implementation plans, with key milestone dates, will be an output from that process.



OUTCOME ACTION PLAN			
Actions	Projected Date	Actual Date	Reason for change/notes
FM 6			
USCG completes migration of their financial management systems.	October 2021	December 2021	Completed: USCG migration is complete, and the actions defined for GAO Outcome FM 6 are complete. The outcome status will become Fully Addressed when FOC is declared. ¹ At this time, DHS considers Outcome 6 to be "Mostly Addressed" while GAO scores it as "Partially Addressed."
USCG go live.	October 2021	December 2021	Completed. USCG went live Dec. 17, 2021.
TSA completes migration of their financial management systems.	October 2020	October 2020	TSA migration is complete.
TSA go live.	October 2020	October 2020	TSA went live on 30 October 2020.
FM 7			
FEMA completes migration of their financial management systems.	TBD		Targeting a Fully Addressed rating for GAO Outcome FM 7.
FEMA go live.	TBD		Component will present documentation to support that the solution is ready for deployment and support.
FEMA Program status review.	TBD		End users will receive new system and business process training.
FEMA Data conversion and migration.	TBD		End users will test and accept system software based on their requirements and approved test plans.
FEMA Training.	TBD		Data will be incorporated from old to new system.
FEMA Test and acceptance.	TBD		System provider will configure system software to meet requirements.
DHS completes configuration and interfaces for FEMA.	TBD		
Discovery phase.	TBD	March 2024	
Select the system integrator.	January 2023	September 2023	Changes to procurement schedules to maximize alignment between the FEMA and ICE modernization projects.

¹ DHS is developing a Remediation Plan with the steps needed to reach Full Operational Capability. That plan is scheduled to be developed in the second quarter FY 2023 and approved in the third quarter FY 2023.



Select the software.	October 2022	January 2023	A task order was awarded in November 2022. A protest was resolved in January 2023.
Strategic Sourcing Software Licensing vehicle.	TBD	February 2022	Enterprise Financial Management Software (EFIMS) was awarded in September 2021. A protest was resolved in February 2022.
Strategic Sourcing System Integration (SI) vehicle.	Q2 FY 2020	March 2021	Enterprise Financial Systems Integrator (EFSI) vehicle was awarded November 2020, and protest resolved favorably in March 2021.
FM 8			
ICE and other ICE Customers (i.e., CISA, S&T, and DHS HQ) complete migration of their financial management systems.	TBD		Targeting a Fully Addressed rating for GAO Outcome FM 8.
ICE and other ICE Customers go live.	TBD		Component will present documentation to support that the solution is ready for deployment and support.
ICE and other ICE Customers Program status review.	TBD		End users will receive new system and business process training.
ICE and other ICE Customers Data conversion and migration.	TBD		End users will test and accept system software based on their requirements and approved test plans.
ICE and other ICE Customers Training.	TBD		Data will be incorporated from old to new system.
ICE and other ICE Customers Test and acceptance.	TBD		System provider will configure system software to meet requirements.
DHS completes configuration and interfaces for ICE and other ICE Customers.	TBD		
USCIS complete migration of their financial management systems.	TBD		Targeting a Partially Addressed rating for GAO Outcome FM 8. USCIS will be the first ICE Customer to pilot the financial management system. The Fully Addressed rating for GAO Outcome FM 8 will occur once ICE and other ICE Customers (i.e., CISA, S&T, and DMO) migrate to the financial management system.
USCIS go live.	TBD		Component will present documentation to support that the solution is ready for deployment and support.
USCIS Program status review.	TBD		End users will receive new system and business process training.



USCIS Data conversion and migration.	TBD		End users will test and accept system software based on their requirements and approved test plans.
USCIS Training.	TBD		Data will be incorporated from old to new system.
USCIS Test and acceptance.	TBD		System provider will configure system software to meet requirements.
DHS completes configuration and interfaces for USCIS.	TBD		
Discovery phase.	TBD	March 2024	
Select the system integrator.	January 2023	September 2023	Changes to procurement schedules to maximize alignment between the FEMA and ICE modernization projects.
Select the software.	October 2022	January 2023	A task order was awarded in November 2022. A protest was resolved in January 2023.
Strategic Sourcing Software Licensing vehicle.	TBD	February 2022	Enterprise Financial Management Software (EFIMS) was awarded in September 2021. A protest was resolved in February 2022.
Strategic Sourcing System Integration (SI) vehicle.	Q2 FY 2020	March 2021	Enterprise Financial Systems Integrator (EFSI) vehicle was awarded November 2020, and protest resolved favorably in March 2021.



IT Management Outcome #6

Outcome Leads: Kenneth Bible

Outcome Executive: Eric Hysen

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

- Demonstrating measurable progress in achieving effective information system controls by downgrading the Department’s material weakness in financial systems security to a significant deficiency for two consecutive years and reducing the deficiencies that contribute to the significant deficiency, as reported by the independent auditors of the Department’s financial statements;
- Implement the federal desktop core configuration on applicable devices and instances across Components, as determined by an independent assessment;
- Promptly develop remedial action plans and demonstrate sustained progress mitigating known vulnerabilities, based on risk, as determined by an independent assessment; and
- Implement key security controls and activities, as independently assessed by the Office of Inspector General or external auditor based on *Federal Information Security Management Act of 2002 (FISMA)* reporting requirements.

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

The Department believes that it has largely addressed the issues and concerns raised in IT Management Outcome #6. DHS will separately present a rationale and supporting evidence to GAO for the removal of the high-risk designation on DHS IT Management, which includes monitoring the Department’s activities consistent with other agencies in the context of the broader, government-wide *Ensuring the Cybersecurity of the Nation* GAO High-Risk area. Notwithstanding the Department’s position, the action plan herein details the actions and milestones that GAO previously assessed as being necessary for ITM #6 to achieve a Fully Addressed rating.

GAO 2023 Outcome Rating



CURRENT STATUS

As previously agreed to with GAO, in order to reach Fully Addressed, DHS must achieve and sustain a downgrade of its material weakness in financial systems security to a significant deficiency for two consecutive years. The Department has implemented continuous monitoring of progress against the remediation work plan, identifying critical milestones, addressing audit risks, and reviewing mitigation strategies. Accomplishments since the September 2022 update to GAO include:¹

¹ Only the most recent and significant updates have been included in this report. For a history of the Department’s progress in this area, please refer to past updates to the [Integrated Strategy](#).




CURRENT STATUS

The Office of the Chief Information Officer (OCIO), in collaboration with the Office of the Chief Human Capital Officer, assisted in the development of a Cyber Talent Management System (CTMS). CTMS is a new mission-driven, person-focused, market-sensitive approach to hiring, compensating, and developing cybersecurity talent throughout the DHS Cybersecurity Service. With the launch of CTMS, DHS has begun using CTMS to hire, compensate, and develop DHS Cybersecurity Service employees who work across the Department in a range of cybersecurity specializations. By the end of February 2023, OCIO and the Cybersecurity and Infrastructure Security Agency successfully hired 85 DHS Cybersecurity Service employees and continues to leverage CTMS for its cybersecurity positions. CTMS has opened new options and strategies for staffing critical cybersecurity work, providing DHS Components with straightforward, agile operational processes with a focus on talent quality and maintaining cybersecurity mission readiness.

OUTCOME ACTION PLAN

Actions	Projected Date	Actual Date	Reason for change/notes
Achieve and sustain “significant deficiency” status or less for two consecutive years (i.e., FY 2024 and 2025).	November 2029		<p>Targeting a Fully Addressed rating.</p> <p>The independent auditor will issue its report for FY 2029 in November 2029.</p> <p>Adjusted date - IT deficiencies are taking longer to address than originally anticipated.</p>
Complete actions to address five (5) recommendations contained in the OIG FY 2019 FISMA report (OIG-20-77).	Q1 FY 2022	September 2021	<p>Completed.</p> <p>Recommendations 1, 3, and 5 are open and resolved, recommendation 2 is unresolved and open, and recommendation 4 is resolved and closed.</p>

The background of the page features a large, faint, light blue watermark of the official seal of the U.S. Department of Homeland Security. The seal is circular and contains an eagle with wings spread, holding an olive branch and arrows. The eagle's chest is covered by a shield with a mountain range, wavy lines, and stars. The words "U.S. DEPARTMENT OF" are arched across the top, and "HOMELAND SECURITY" is arched across the bottom.

GAO High-Risk Ratings Summary

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GAO High-Risk Ratings Summary



Functional Area	GAO Outcome	2021 GAO Ratings ¹	2023 GAO Ratings ²
FM 1	Clean opinion on all financial statements	Fully Addressed	Fully Addressed
FM 2	Clean opinion on internal controls	Partially Addressed	Partially Addressed
FM 3	Clean opinions for two years	Fully Addressed	Fully Addressed
FM 4	Clean opinions for two years on internal controls	Initiated	Initiated
FM 5	Compliance with FFMI	Partially Addressed	Partially Addressed
FM 6	USCG Financial Systems Modernization	Partially Addressed	Partially Addressed
FM 7	FEMA Financial Systems Modernization	Initiated	Initiated
FM 8	ICE Financial Systems Modernization	Initiated	Initiated
ITM 6	Enhance IT Security	Mostly Addressed	Partially Addressed
Fully Addressed GAO Outcomes (out of 9³)		2 (22%)	2 (22%)
Fully Addressed and Mostly Addressed GAO Outcomes (out of 9)		3 (33%)	2 (22%)

GAO Criteria	Definition	GAO Ratings as of 2023 ⁴
Leadership Commitment	Demonstrated strong commitment and top leadership support.	Met
Capacity	Agency has the capacity (i.e., people and resources) to resolve the risk(s).	Met
Action Plan	A corrective action plan exists that defines the root cause, solutions, and provides for substantially completing corrective measures, including steps necessary to implement solutions [GAO] recommended.	Met
Monitoring	A program has been instituted to monitor and independently validate the effectiveness and sustainability of corrective measures.	Met
Demonstrated Progress	Ability to demonstrate progress in implementing corrective measures and in resolving the high-risk area.	Partially Met

Met or Fully Addressed	Mostly Addressed
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¹ **GAO Outcomes:** GAO rates DHS’s progress using the following scale: **Fully Addressed** – Outcome is fully addressed; **Mostly Addressed** – Progress is significant and a small amount of work remains; **Partially Addressed** – Progress is measurable, but significant work remains; **Initiated** – Activities have been initiated to address the outcome, but it is too early to report progress. (Source: GAO-21-119SP, page 180).

² On July 27, 2022, GAO provided DHS with updated outcome ratings which will be published in the 2023 update to the High-Risk List report.

³ In January 2023, GAO informed the Department that this High-Risk area would be narrowed to focus only on the remaining outcomes which are in the financial management and information technology functional areas. Please refer to the September 2022 report for a full list of the previously addressed outcomes.

⁴ In January 2023, GAO advanced the Capacity criteria to Met. Rating definitions are as follows: **Met** – Actions have been taken that meet the criterion. There are no significant actions that need to be taken to further address this criterion; **Partially Met** – Some, but not all, actions necessary to meet the criterion have been taken; **Not Met** – Few, if any, actions towards meeting the criterion have been taken. (Source: GAO-21-119SP, page 4).