



U.S. Department of Homeland Security Agency Financial Report

Fiscal Year 2015



Homeland
Security

About this Report

The *U.S. Department of Homeland Security Agency Financial Report for Fiscal Year (FY) 2015* presents the Department's detailed financial information relative to our mission and the stewardship of those resources entrusted to us. It also highlights the Department's priorities, strengths, and challenges in implementing programs to enhance the safety and security of our Nation.

For FY 2015, the Department is using the alternative approach—as identified in the Office of Management and Budget's Circular A-136—to produce its Performance and Accountability Reports, which consists of the following three reports:

- **DHS Agency Financial Report:** Delivery date: November 16, 2015.
- **DHS Annual Performance Report:** Delivery date: February 1, 2016. The *DHS Annual Performance Report* is submitted with the Department's Congressional Budget Justification.
- **DHS Summary of Performance and Financial Information:** Delivery date: February 15, 2016.

When published, all three reports will be located on our public website at: <http://www.dhs.gov/performance-accountability>.

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Information may also be requested by sending an email to par@hq.dhs.gov.

Certificate of Excellence in Accountability Reporting

In May 2015, the U.S. Department of Homeland Security received the Certificate of Excellence in Accountability Reporting (CEAR) from the Association of Government Accountants (AGA) for its FY 2014 Agency Financial Report. The CEAR Program was established by the AGA, in conjunction with the Chief Financial Officers Council and the Office of Management and Budget, to further performance and accountability reporting.



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Agency Financial Report

Fiscal Year 2015

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Message from the Secretary



November 13, 2015

I am pleased to present the Department of Homeland Security's (DHS) Agency Financial Report for Fiscal Year (FY) 2015. This report provides an assessment of the Department's detailed financial information and demonstrates how the resources entrusted to us were used to support our primary mission areas. This report also outlines our major goals and priorities and illustrates our commitment to strengthening Departmental Unity of Effort.

The Department's mission execution seeks to achieve the Nation's basic physical security while protecting the freedoms we expect as Americans. As a nation we cherish our privacy, value the freedom to travel and associate,

expect ready access to lawful goods and services, and celebrate our diversity. Our citizens also expect a foundation of security and resilience. To accomplish our complex mission, in a challenging fiscal environment, we prioritize our essential programs and core capabilities. We realize that addressing evolving security threats requires that we not only maintain, but also enhance, these capabilities.

A safe and secure homeland must mean more than preventing terrorist attacks from being carried out. It must also ensure that the liberties of all Americans are assured, privacy is protected, and the means by which we interchange with the world—through travel, lawful immigration, trade, commerce, and exchange—are secured.

Today, the global threat of terrorism is more decentralized, complex, and in many respects, harder to detect. The new reality involves the potential for smaller-scale attacks by individuals who are either homegrown or home-based, who may or may not be inspired or directed by a terrorist organization.

It is no longer necessary for terrorist organizations to personally recruit, train, and direct operatives overseas. The internet enables terrorist organizations to publicly recruit and inspire individuals to conduct attacks within their own homelands. Al Qaeda in the Arabian Peninsula no longer hides the fact that it builds bombs—it publicizes its instruction manual in its magazine, and publicly encourages people to use it.

The security of our Nation will continue to be tested by new and emerging threats. The Office of Personnel Management security breach highlighted the vulnerabilities our Nation's networks face on a daily basis and serves as a stark reminder of the effects a cyberattack can have on this Nation. Through the tremendous dedication, focus, and professionalism of the Department's workforce, we will address such challenges head-on. The Department will

continue to focus on a risk-based security strategy to target our resources against the most challenging threats.

The “Unity of Effort” initiative that I launched in April 2014 builds important linkages between the Department's planning, programming, budgeting, and execution processes; ensuring that the Department invests and operates in a cohesive, unified fashion, and makes decisions that are transparent and collaborative to drive results.

The framework of the “Unity of Effort” initiative allows the Department to use a collaborative approach and improved business processes to operate cohesively. Through our improved business processes, we are making advances toward operating together as a Department. As we continue to grow and mature as a Department, we remain keenly focused on the Department's five key mission areas: preventing terrorism and enhancing security; securing and managing our borders; enforcing and administering our immigration laws; safeguarding and securing cyberspace; and strengthening national preparedness and resilience.

Prevent Terrorism and Enhance Security

Preventing terrorist attacks on the Homeland is the cornerstone of the Department's mission. Safeguarding critical infrastructure and implementation of layered security on land, in the air, and on the sea are essential to combating any terrorist threat. The recent wave of terrorist attacks and attempted attacks in the United States and in Europe, which were conducted by homegrown or home-based actors inspired, but not directed by, al Qaeda or Islamic State of Iraq and the Levant, reflect the new reality of the global threat of terrorism. In addition, we are concerned about domestic terrorism in the form of a “lone wolf,” which may include various aspects of domestic terrorism such as right-wing extremism. We devote substantial efforts to study and understand these threats and will continue to further our understanding of the underpinnings of terrorist threats of all forms.

Safeguard and Secure Cyberspace

Cybersecurity is also a top priority of this Department. Cyber threats are increasing in their frequency, scale, sophistication, and severity. The variety of cyber threat actors, methods of attack, and targeted victims are also expanding. This impacts everyone, both in the public and private sectors, across the country, and around the globe. Cybersecurity must be a balance between the basic security of online information and the ability to communicate with and benefit from the networked world. The key is to install multiple layers of protection to best secure our networks. The Department works with government and private sector partners to strengthen our cybersecurity; investigate cybersecurity crimes; and share actionable information to support a secure cyber space.

Secure and Manage Our Borders

The Department has committed historic levels of front line personnel, technology, and infrastructure to border security in order to reduce the flow of illegal immigrants and illicit contraband while fostering legal trade and travel. Secure, well-managed borders must not only protect the United States against threats from abroad, they must also safeguard and

expedite the flow of lawful trade and travel. Illegal migration into this country has dropped by over 80 percent in the past 15 years, without an adverse impact on the lawful flow of goods and people.

Enforce and Administer Our Immigration Laws

Immigration is essential to our identity as a nation of immigrants. We continue to more effectively focus the enforcement system and our finite resources on the identification and removal of public safety threats, criminal aliens, and other high-priority individuals. Our overarching goal is to enforce our immigration laws in a way that promotes public safety, national security, and border security.

Strengthen National Preparedness and Resilience

No matter the time of day or location on a map, a disaster can strike and overwhelm any of our Nation's communities. The Department's goal is to build a ready and resilient Nation through efforts to bolster disaster response information sharing and collaboration.

Mature and Strengthen Homeland Security

Experienced and qualified personnel are an important aspect of a mature and strong Department, especially at the leadership level. Over the past 18 months, we filled nearly all of the senior-level vacancies that existed in the Department. The Government Accountability Office (GAO) has stated that DHS is a "model" for how federal agencies can work to address GAO's high-risk designations and has continued to demonstrate exemplary commitment and support for addressing the Department's management challenges. It remains vitally important to operate as a mature, collaborative agency with a focus on our critical mission set.

Management Assurances and Performance Measurement

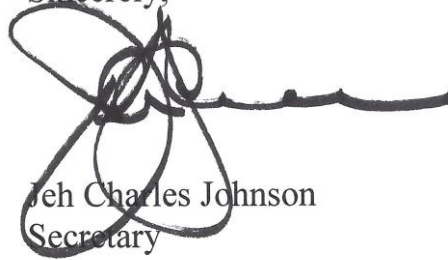
In FY 2015, the Department obtained its third consecutive unmodified audit opinion on all its financial statements. In addition, the Department remediated our internal control material weakness for budgetary accounting, moving us closer to our goal of achieving an unqualified internal control audit opinion. The Department is able to provide reasonable assurance that its internal controls over financial reporting are effective, with the exception of the three remaining material weaknesses identified in my Assurance Statement.

The Department remains committed to improving performance measurement and accountability, and I am able to provide reasonable assurance, based on our internal controls evaluations, that the performance information reported for the Department in our performance and accountability reports are complete and reliable, except those noted in our Annual Performance Report. The Department's performance and accountability reports for this and previous years are available on our public website:
<http://www.dhs.gov/performance-accountability>.

Message from the Secretary

The Department is committed to the improvement of the processes and structures in place to help ensure consistent operations for each of our financial accounting centers and financial management offices within our Components. The scope of our mission is broad, challenging, and vital to the security of the Nation. We will continue to meet these and other challenges head-on, with a sense of urgency and purpose that the American people expect and that our mission requires. Thank you for your collaboration.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeh Charles Johnson". The signature is stylized with a large, looping initial "J" and a long, horizontal stroke extending to the right. It is positioned over the printed name and title of the Secretary.

Jeh Charles Johnson
Secretary



Management's Discussion and Analysis

The ***Management's Discussion and Analysis*** is required supplementary information to the financial statements and provides a high-level overview of the Department of Homeland Security.

The ***Overview*** section describes the Department's organization, its missions and goals, and provides an overview of our front-line Components.

The ***Performance Overview*** section provides a summary of each homeland security mission, selected accomplishments, key performance measures, and future initiatives to strengthen the Department's efforts in achieving a safer and more secure Nation.

The ***Financial Overview*** section provides a summary of DHS's financial data explaining the major sources and uses of funds and provides a quick look at our Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, Statement of Custodial Activities, Stewardship Assets and Investments, and Limitations of Financial Statements.

The ***Management Assurances*** section provides the Secretary's Assurance Statement related to the *Federal Managers' Financial Integrity Act*, the *Federal Financial Management Improvement Act*, and the *Department of Homeland Security Financial Accountability Act*. This section also describes the Department's efforts to address our financial management systems to ensure systems comply with applicable accounting principles, standards, requirements, and with internal control standards.

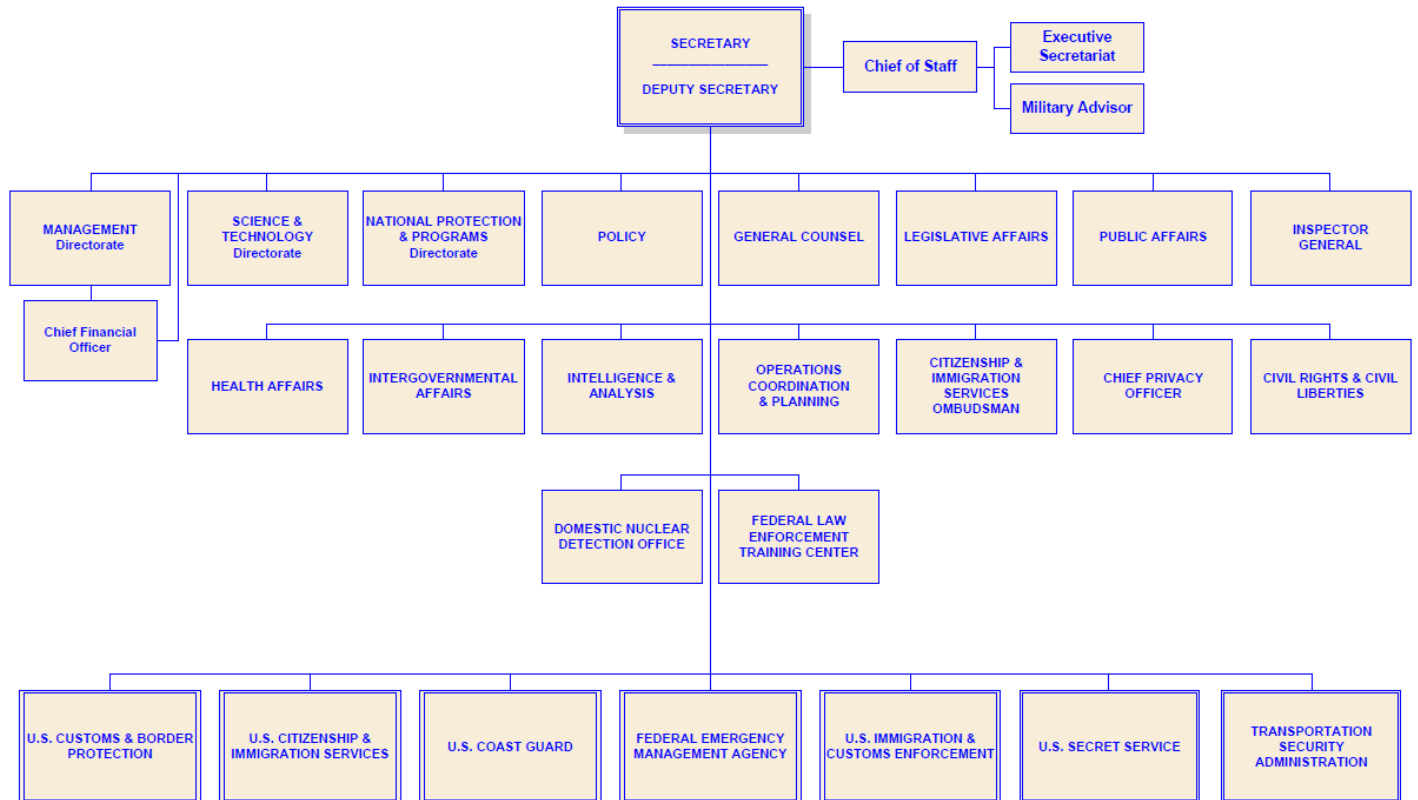
Overview

The Department of Homeland Security (DHS) has a fundamental duty—to secure the Nation from the many threats we face. This requires the dedication of more than 240,000 employees in jobs that range from aviation and border security to emergency response, from cybersecurity analyst to chemical facility inspector. Our duties are wide-ranging, but our goal is clear—keep America safe.

Our Organization

DHS's operational Components lead the Department's front-line activities to protect our Nation. The remaining DHS Components provide resources, analysis, equipment, research, policy development, and support to ensure the front-line organizations have the tools and resources to accomplish the DHS mission. For more information about the Department's structure, visit our website at <http://www.dhs.gov/organization>.

DHS Organizational Chart



Our Components

The following is a description of the major Components that make up the Department of Homeland Security. Components listed below are those for which Congress appropriates funds through the budgeting process, whereas the Components in the financial reporting section are those tracked in the Treasury Information Executive Repository system presented in Note 1.A in the Financial Section. Click on the Component name for more information on their website.

Operational Components

[Federal Emergency Management Agency \(FEMA\)](#) supports our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards.

[Transportation Security Administration \(TSA\)](#) protects the Nation's transportation systems to ensure freedom of movement for people and commerce.

[U.S. Citizenship and Immigration Services \(USCIS\)](#) secures America's promise as a nation of immigrants by providing accurate and useful information to our customers, granting immigration and citizenship benefits, promoting an awareness and understanding of citizenship, and ensuring the integrity of our immigration system.

[U.S. Coast Guard \(USCG\)](#) is one of the five armed forces of the United States and the only military organization within the Department of Homeland Security. The USCG protects the maritime economy and the environment, defends our maritime borders, and saves those in peril.

[U.S. Customs and Border Protection \(CBP\)](#) is one of the Department's largest and most complex components. CBP is responsible for securing America's borders to protect the United States against terrorist threats and prevent the illegal entry of inadmissible persons and contraband, while facilitating lawful travel, trade, and immigration.

[U.S. Immigration and Customs Enforcement \(ICE\)](#) promotes homeland security and public safety through the criminal and civil enforcement of federal laws governing border control, customs, trade, and immigration.

[U.S. Secret Service \(USSS\)](#) safeguards the Nation's financial infrastructure and payment systems to preserve the integrity of the economy. USSS also protects national leaders, visiting heads of state and government, designated sites, and National Special Security Events.

Remaining Components

[Analysis and Operations](#) includes the [Office of Intelligence and Analysis \(I&A\)](#) and the [Office of Operations Coordination and Planning \(OPS\)](#). The Office of Intelligence and Analysis equips the Homeland Security Enterprise with the intelligence and information it needs to keep the homeland safe, secure, and resilient. The Office of Operations Coordination and Planning is responsible for monitoring the security of the United States on a daily basis and coordinating activities within the Department and with governors, Homeland Security Advisors, law enforcement partners, and critical infrastructure operators in all 50 States and more than 50 major urban areas nationwide.

[Departmental Management and Operations \(DMO\)](#) provides support to the Secretary and Deputy Secretary in the overall leadership, direction, and management to the Department and all of its Components, ensuring the delivery of effective and efficient business and management services. DMO is responsible for Department budgets and appropriations, expenditure of funds, accounting and finance, procurement, human resources, information technology systems, facilities and equipment, and the identification and tracking of performance measurements.

[Domestic Nuclear Detection Office \(DNDO\)](#) prevents nuclear terrorism by continuously improving capabilities to deter, detect, respond to, and attribute attacks, in coordination with domestic and international partners.

[Federal Law Enforcement Training Centers \(FLETC\)](#) provides career-long training to law enforcement professionals to help them fulfill their responsibilities safely and proficiently.

[National Protection and Programs Directorate \(NPPD\)](#) leads the Department's mission to secure and enhance the resilience of the Nation's infrastructure against cyber and physical risks.

[Office of Health Affairs \(OHA\)](#) provides medical, public health, and scientific expertise in support of the DHS mission to prepare for, respond to, and recover from all threats.

[Office of Inspector General \(OIG\)](#) was established by the *Homeland Security Act of 2002* (Pub. L. 107-296) by an amendment to the *Inspector General Act of 1978*. OIG has a dual reporting responsibility to the Secretary of DHS and to Congress. OIG serves as an independent and objective audit, inspection, and investigative body to promote economy, effectiveness, and efficiency in DHS programs and operations, and to prevent and detect fraud, waste, and abuse.

[Science and Technology Directorate \(S&T\)](#) is the primary research and development arm of the Department. It provides federal, state, and local officials with the technology and capabilities to protect the homeland.

Our Strategic Framework

Performance and financial information in this report is organized around the missions and goals identified in the Department's [FY 2014-2018 Strategic Plan](#). The FY 2014-2018 Strategic Plan continues the Department's efforts to prioritize front-line operations while maximizing effectiveness and efficiency. The missions and goals of the Department are provided below.

Mission 1: Prevent Terrorism and Enhance Security

- Goal 1.1: Prevent Terrorist Attacks
- Goal 1.2: Prevent and Protect Against the Unauthorized Acquisition or Use of Chemical, Biological, Radiological, and Nuclear Materials and Capabilities
- Goal 1.3: Reduce Risk to the Nation's Critical Infrastructure, Key Leadership, and Events

Mission 2: Secure and Manage Our Borders

- Goal 2.1: Secure U.S. Air, Land, and Sea Borders and Approaches
- Goal 2.2: Safeguard and Expedite Lawful Trade and Travel
- Goal 2.3: Disrupt and Dismantle Transnational Criminal Organizations and Other Illicit Actors

Mission 3: Enforce and Administer Our Immigration Laws

- Goal 3.1: Strengthen and Effectively Administer the Immigration System
- Goal 3.2: Prevent Unlawful Immigration

Mission 4: Safeguard and Secure Cyberspace

- Goal 4.1: Strengthen the Security and Resilience of Critical Infrastructure Against Cyber Attacks and other Hazards
- Goal 4.2: Secure the Federal Civilian Government Information Technology Enterprise
- Goal 4.3: Advance Cyber Law Enforcement, Incident Response, and Reporting Capabilities
- Goal 4.4: Strengthen the Cyber Ecosystem

Mission 5: Strengthen National Preparedness and Resilience

- Goal 5.1: Enhance National Preparedness
- Goal 5.2: Mitigate Hazards and Vulnerabilities
- Goal 5.3: Ensure Effective Emergency Response
- Goal 5.4: Enable Rapid Recovery

Mature and Strengthen Homeland Security

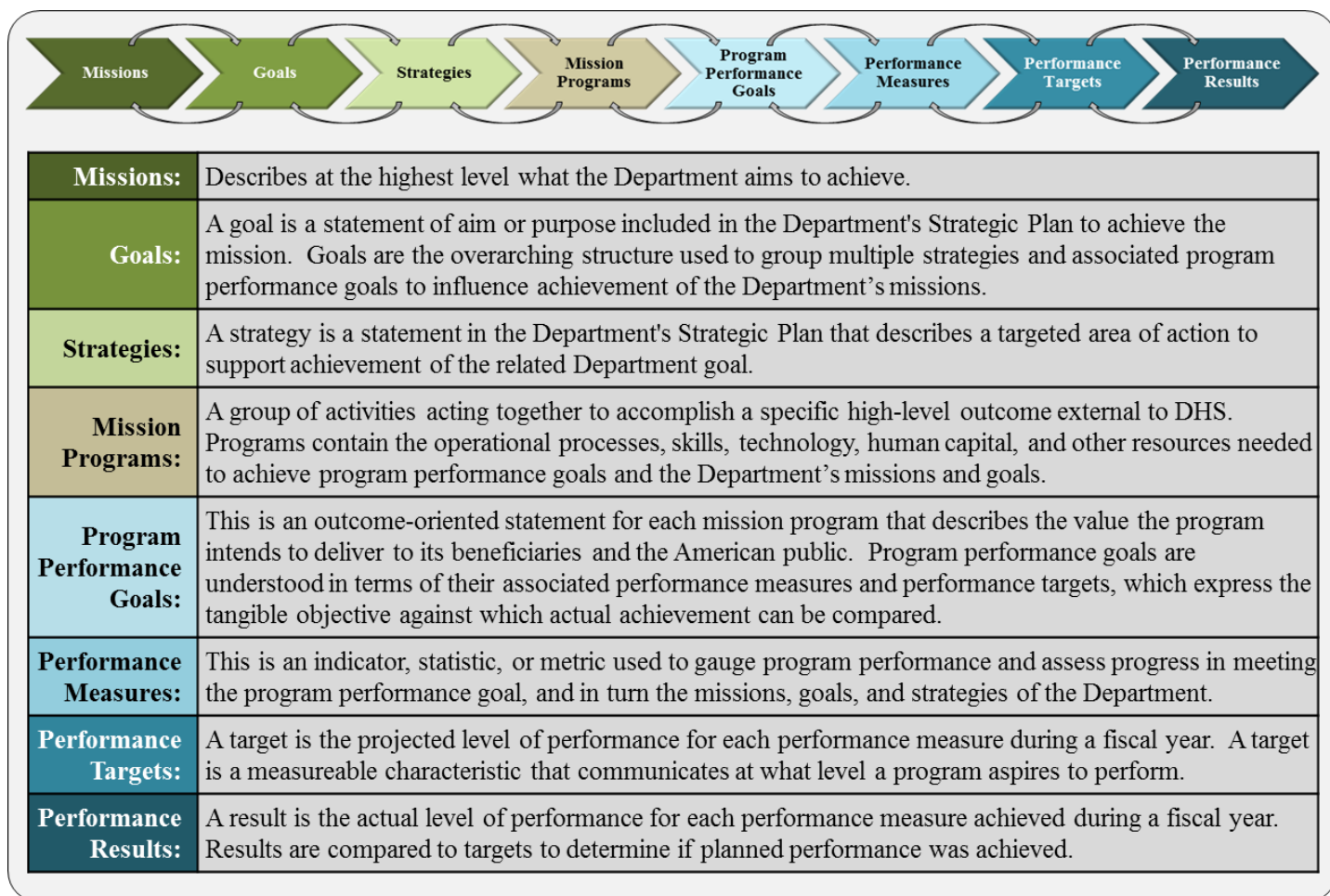
- Goal 1: Integrate Intelligence, Information Sharing, and Operations
- Goal 2: Enhance Partnerships and Outreach
- Goal 3: Strengthen the DHS International Affairs Enterprise in Support of Homeland Security Missions
- Goal 4: Conduct Homeland Security Research and Development
- Goal 5: Ensure Readiness of Frontline Operators and First Responders
- Goal 6: Strengthen Service Delivery and Manage DHS Resources

Performance Overview

The Performance Overview provides a summary of each homeland security mission, selected accomplishments, key performance measures, and forward looking initiatives to strengthen the Department's efforts in achieving a safer and more secure Nation. A complete list of all performance measures and results will be published in the DHS FY 2015-2017 Annual Performance Report with the FY 2017 Congressional Budget and can be accessed at: <http://www.dhs.gov/performance-accountability>.

Performance Management in DHS

The Department created a robust performance framework that drives performance management and enables the implementation of performance initiatives. This approach also facilitates the reporting of results within the Department for a comprehensive set of measures aligned to the missions and goals of the Department. The figure below shows the linkage between our strategic plan, the Department's mission programs, and the measures we use to gauge performance. This approach to measurement ensures that the Department can assess the achievement of our missions as identified in our strategic framework. In the following section, we describe our performance management framework and how this gets implemented. A subset of results is made available in this section of the Agency Financial Report. For the full set of measures the Department uses to gauge the delivery of results aligned to our strategy, see the DHS Annual Performance Report.



Mission 1: Prevent Terrorism and Enhance Security

Preventing a terrorist attack in the United States remains the cornerstone of homeland security. Our vision is a secure and resilient Nation that effectively prevents terrorism in ways that preserve our freedom and prosperity. Achieving this vision requires us to focus on the core goal of preventing terrorist attacks, highlighting the challenges of preventing attacks using chemical, biological, radiological, and nuclear weapons and managing risks to critical infrastructure.

Our goals for this mission are:

- Goal 1.1: Prevent Terrorist Attacks;
- Goal 1.2: Prevent and Protect Against the Unauthorized Acquisition or Use of Chemical, Biological, Radiological, and Nuclear Materials and Capabilities; and
- Goal 1.3: Reduce Risk to the Nation's Critical Infrastructure, Key Leaders, and Events.



Record Number of Firearms Detected at Passenger Checkpoints

In the past decade, TSA has developed a highly trained federal workforce that has safely screened more than five billion airline passengers and their possessions, and established a multi-layered security system reaching from curb to cockpit. Every day, in airports around the country, TSA Transportation Security Officers (TSO) routinely detect prohibited items in carry-on and checked bags, as well as on passengers. In May 2015 alone, TSOs intercepted a record 243 firearms at airport security checkpoints and prevented the illegal transport of such items on airplanes. In FY 2015,

TSOs detected more than 2,547 firearms, in addition to thousands of knives, weapons, and other prohibited items.

TSA continues to focus on risk-based, intelligence-driven security procedures, to direct greater focus on high-risk passengers while still maintaining an effective overall security program, as evidenced by the volume of prohibited items found at airport security checkpoints.

The following highlighted measures gauge our efforts to prevent terrorism and enhance security. Explanations of results, trend analysis, and corrective actions are provided for each measure as appropriate.

Percent of international air enplanements vetted against the terrorist watch list through Secure Flight (TSA)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
100%	100%	100%	100%	100%	100%

Secure Flight is a risk-based passenger prescreening program that enhances security by identifying passengers by potential risk before they arrive at the airport by matching their names against trusted traveler lists and watchlists. This serves to prevent individuals on the No Fly List from boarding an aircraft and to identify individuals for enhanced screening. After matching passenger information against government watch lists, Secure Flight transmits the matching results back to airlines before

they can issue passenger boarding passes. TSA has maintained a 100 percent vetting of international travelers against the terrorist watch list for the past five years.

Percent of overall compliance of domestic airports with established aviation security indicators (TSA)					
FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
95.9%	95.0%	94.4%	94.0%	100%	95.0%

This measure reflects key security indicators that are a predictor of the overall security posture of an airport. Identifying compliance with the key indicators assesses airport vulnerabilities and is part of TSA's overall risk reduction process. In FY 2015, TSA identified that 95 percent of domestic airports comply with established security indicators, which is slightly up from FY 2014 results and consistent with the long-term trend in compliance. TSA aggressively works with the air carriers to ensure they comply with all security requirements and takes enforcement and other actions when necessary. TSA has taken actions to increase the rate of compliance, including increased industry outreach and Compliance Security Enhancement Through Testing activities, a risk-based testing program for leading security indicators.

Percent of containerized cargo conveyances that pass through radiation portal monitors at sea ports of entry (DNDO)					
FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
FOUO	FOUO	FOUO	FOUO	FOUO	FOUO

This measure gauges the amount of containerized cargo scanned by radiation portal monitors deployed to the Nation's sea ports of entry. Radiation portal monitors are acquired, installed, and maintained by DNDO and are used by CBP in day-to-day operations to scan incoming cargo to detect and identify dangerous nuclear and radiological sources. Although the actual results are For Official Use Only (FOUO), this measure continues to perform at a high level, attaining its target for this fiscal year and the previous four years.

Percent of performance standards implemented by the highest risk chemical facilities and verified by DHS (NPPD)					
FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	46%	78%	95%	93%

This measure reports the percent of risk based performance standards that are approved and implemented within site security plans or alternative security programs for Tier 1 and Tier 2 facilities that are compliant with the Chemical Facility Anti-Terrorism Standards (CFATS) regulation. Over the past two years, the CFATS program has made significant progress, inspecting and approving nearly all Tier 1 and 2 regulated facilities. Due to previously approved facilities no longer requiring oversight, and thus no longer contributing to the result, the target for FY 2015 was narrowly missed. Plans are in place to meet the target of 95 percent in FY 2016. The CFATS program target is set below 100 percent based on a changing population of regulated facilities and the multiple steps necessary to reach the approval stage. The CFATS program is an important part of our Nation's counterterrorism efforts as the Department works with our industry stakeholders to keep dangerous chemicals out of the hands of those who wish to do us harm. Since the CFATS program was created, we have engaged with industry to identify and regulate high-risk chemical facilities to ensure they have security measures in place to reduce the risks associated with the possession of chemicals of interest.

Percent of protectees that arrive and depart safely (USSS)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	---	---	100%	100%

This measure was introduced in FY 2015 to better assess USSS protection activities by gauging the percent of travel stops where USSS protectees arrive and depart safely. This measure achieved 100 percent in FY 2015 and it is expected the USSS will continue this level of excellence in the future as they have set their targets to always be 100 percent for their protective mission. Since this is a new measure there is no historical data for trend analysis.

Security compliance rate for high risk maritime facilities (USCG)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
99.9%	98.7%	99.3%	99.3%	100%	99.6%

The *Maritime Transportation Security Act of 2002* (MTSA) requires vessels and port facilities to conduct vulnerability assessments and develop security plans that may include passenger, vehicle and baggage screening procedures; security patrols; establishing restricted areas; personnel identification procedures; access control measures; and/or installation of surveillance equipment. MTSA facilities are a high risk subset of the national waterfront facility population given the nature of their activities and/or the products they handle which pose a greater risk for significant loss of life, environmental damage, or economic disruption if attacked. The USCG completes one scheduled and one unscheduled inspection on each facility annually and had a 99.6 percent compliance rate in FY 2015 which is consistent with prior year results and slightly up from FY 2014. Facilities which have problems are given a notice of violation and/or civil penalty.

**White House Security Enhancements**

On August 31, 2015 the USSS completed the installation of “interim anti-climb measure” spikes on the White House fence. The entire perimeter fence of the White House grounds is now protected by this countermeasure. The spikes are USSS’s newest and most visible security enhancement protecting the White House. Several successful jumps of the existing White House complex fence in the fall of 2014 demonstrated the need to develop fence enhancements to provide crucial response time to agents and officers. In addition, a blue ribbon commission recommended the construction of a fence

that was taller with curved outriggers to “make scaling [the fence] much more difficult for most.” The commission asserted that this improved fence “must balance security concerns with the long and storied tradition of the White House being the ‘Peoples House’.”

In December, 2014 the USSS’s Technical Security Division initiated research and development of fence technologies for incorporation into a new White House fence. The division studied fences at varying heights and configurations by testing their effectiveness at the USSS James J. Rowley Training Center. Although most of the prototyped features proved ineffective at delaying climbers, Uniformed Division officers testing the fence identified one prototype that showed promise as an effective climbing countermeasure at even the relatively low existing fence height. With input from National Park Service architects, USSS engineers redesigned the prototype into a variegated pattern of sharp metal spikes installed to the horizontal bar at the top of the fence that provides the response time needed by the USSS without detracting from the civic experience. The spikes proved to be effective at the current fence height. What began as an effort to determine features for a new and taller fence led engineers to design a solution which could be temporarily bolted to the current fence until a new fence can be designed and constructed. This solution not only bolsters protection of the White House but does so without any alteration to the historic fence.

Looking Forward

The United States has made significant progress in securing the Nation from terrorism. Nevertheless, the evolving and continuing threat from terrorists remains, as witnessed by events around the globe. The Department and its many partners, internationally, across the federal, state, and local governments, tribal and territorial, public and private sectors, and communities across the country have strengthened the homeland security enterprise to better mitigate and defend against dynamic threats. Below are a few areas that advance our efforts to achieve the Department's mission of preventing terrorism and enhancing security.

Information Sharing

The Department is committed to ensuring that information is available to state and local law enforcement, giving those on the frontlines the tools they need to protect local communities. This approach is based on the simple premise that homeland security begins with hometown security. The Federal Government has strengthened the connection between collection and analysis on transnational organizations and threats, along with terrorism-related information sharing across the intelligence community has greatly improved. Moreover, we have strengthened the ability to convey intelligence on threats to the homeland in a context that is useful and relevant to law enforcement and homeland security officials at the state and local level. Moving forward, the Department will continue to work with the intelligence community to improve the intelligence framework to ensure information sharing and production efforts meet the needs of state and local governments and private sector partners. In addition, the Department continues to improve and expand the information-sharing mechanisms by which officers are made aware of the threat picture, vulnerabilities, and what it means for their local communities.

Implementation Planning for Nuclear Detection Efforts

DNDO works to reduce the risk of nuclear terrorism by continuously improving capabilities to deter, detect, respond to, and attribute attacks. DNDO is responsible for analyzing nuclear detection capabilities, developing programs to address gaps in detection capabilities, reporting on progress, building interagency partnerships, and crafting plans and guidance for improving detection efforts and planning both domestically and internationally. Building on DNDO's previous work, plans moving forward include leading interagency efforts to develop a nuclear detection implementation plan for domestic and crosscutting efforts that will guide and coordinate U.S. Government efforts over a five-year timeframe. This work will then be integrated with the planning for the international Global Nuclear Detection Architecture. DNDO functions related to implementing the Global Nuclear Detection Architecture include: integrating interagency efforts to develop and acquire radiological and nuclear detection technologies; evaluating detector performance; ensuring effective response to detection alarms; and conducting transformational research and development for radiological and nuclear detection and forensics technologies.

Addressing the U.S. Secret Service Protective Mission Panel

The USSS Protective Mission Panel (Panel) was established following the events of September 19, 2014, when a lone individual leapt over the White House fence, onto the North Lawn, and ultimately into the White House. The Panel's [report](#) made recommendations in three broad categories: 1) training and personnel; 2) technology, perimeter security, and operations; and 3) leadership. Currently the USSS is actively working to implement near term solutions in response to the Panel's recommendations, one of which is highlighted in the vignette on the previous page.

Moving forward, the USSS has additional plans for implementation and is aggressively pursuing options to achieve robust and permanent solutions.

Mission 2: Secure and Manage Our Borders

A safe and secure homeland requires that we secure our air, land, and sea borders and disrupt and dismantle transnational criminal and terrorist organizations while facilitating lawful travel and trade.

Our goals for this mission are:

- Goal 2.1: Secure U.S. Air, Land, and Sea Borders and Approaches;
- Goal 2.2: Safeguard and Expedite Lawful Trade and Travel; and
- Goal 2.3: Disrupt and Dismantle Transnational Criminal Organizations and Other Illicit Actors.



DHS Sponsors Analytical Exercise to Advance Joint Intelligence Capabilities on the Southwest Border

In June 2015, the Joint Task Force-West (JTF-W), the National Targeting Center, and the Human Smuggling Cell sponsored a two-week joint analytical exercise for DHS personnel from all four JTF-W corridors (California, Arizona, New Mexico/West Texas, and South Texas).

The exercise introduced a system known as Falcon/Palintir to corridor intelligence and operations teams. A total of 35 intelligence specialists and 18 operations personnel representing ICE's Homeland Security Investigations, and CBP's Border Patrol and Office of Field

Operations attended the working-group style exercise. Participants learned how to import data sets from various sources and then use the combined data to create a three-dimensional operating picture of the illicit organizations within their respective areas of responsibility. The participants spent the second week analyzing the threat pictures and drafting courses of action (COAs) that would be used to target the newly identified threats by executing counter-network operations.

On the final day, each corridor workgroup presented their briefings and COAs to JTF-W Director Robert L. Harris, JTF-Investigations Deputy Director Pete Hatch, and National Targeting Center Executive Director Troy Miller. Director Harris later stated how impressed he was with the capabilities of the participants and the outcomes of their final briefings and how this new system can provide new capabilities to help secure the southwest border.

The following highlighted measures gauge our efforts to secure and manage our borders. Explanations of results, trend analysis, and corrective actions are provided for each measure as appropriate.

Percent of people apprehended multiple times along the Southwest Border (CBP)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	16%	14%	≤ 17%	14%

This measure examines the percent of deportable individuals who have been apprehended multiple times by the Border Patrol. The positive trend of people being apprehended multiple times seen in FY 2014 was maintained in FY 2015. The results are primarily attributed to two factors. First, CBP has institutionalized its consequence delivery system which has increased the deterrence factor for multiple entry violators. Second, the percent of persons from countries other than Mexico illegally entering the United States has increased. This population historically has a lower opportunity and capability to attempt multiple illegal entries.

Rate of interdiction effectiveness along the southwest border between ports of entry (CBP)					
FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	---	79.28%	80.00%	81.01%

This measure reports the percent of detected illegal entrants who were apprehended or turned back after illegally entering the United States between the ports of entry on the southwest border. The Border Patrol achieves this desired strategic outcome by maximizing the apprehension of detected illegal entrants or confirming that illegal entrants return to the country from which they entered. In FY 2015, this measure improved from last year achieving 81.01 percent. Future improvements in staffing utilization and technology enhancements will support advances in this area.

Migrant interdiction effectiveness in the maritime environment (USCG)					
FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	---	---	73.0%	74.8%

The USCG implemented this measure in FY 2015 to assess the percent of detected undocumented migrants of all nationalities who were interdicted by the USCG and partners via maritime routes. In its first year of reporting, the USCG met its target achieving 74.8 percent migrant interdiction effectiveness. Since this is a new measure there is no historical data for trend analysis.

Percent of imports compliant with U.S. trade laws (CBP)					
FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
97.67%	96.46%	97.66%	97.99%	97.50%	98.89%

Ensuring that all imports are compliant and free of major discrepancies allows for lawful trade into the United States. This measure reports the percent of imports that are compliant with U.S. trade laws including customs revenue laws. CBP works with our international trade partners through several [trade programs](#) to build—and improve upon—a solid and efficient trade relationship to accomplish safer, faster, and more compliant trade. In FY 2015, 98.89 percent of imports were found to be compliant with U.S. trade laws. These results are an improvement from FY 2014, are consistent with prior year results, and have improved three years in a row.



HOMEKORT—Prioritizing Criminal Networks

Joint Task Force – Investigations (JTF-I) has changed the course of investigative business within the Department by developing and implementing the Homeland Criminal Organization Target Priority Investigations, otherwise known as HOMEKORT. JTF-I, comprised of representatives from CBP, USCG, and Homeland Security Investigations created the HOMEKORT process with the emphasis of a secretarial validated, departmental investigative priority, which integrates DHS criminal investigations and investigative activities to enhance the JTFs' efforts to suppress crime, illicit flow, surges and hotspots; as well as improve law, order and governance on the border and in the approaches.

A key role of the HOMEKORT process involves the development of an interagency approved action plan that integrates DHS Components' authorities, capabilities, expertise, and resources to counter these Department-level priority targets, networks, problem sets, and crises.

The development and implementation of the HOMEKORT process was an innovative approach to place DHS on the forefront of federal law enforcement. As a result, the HOMEKORT process has achieved great success by identifying and enhancing top-tier investigations within the Department; facilitated the development of counter-network and investigative strategies from an operational level; synchronized multiple investigations involving the same network to arrive at a common desired criminal justice outcomes; and leveraged departmental capabilities within ICE, CBP, USCIS, USCG, and others in DHS, as well as our interagency partners to maximize the effectiveness of DHS investigations.

The establishment of HOMEKORT—similar to the Drug Enforcement Agency's Consolidated Priority Organization Target list or the Federal Bureau of Investigation's Top International Criminal Organizations Target list—will be recognized as DHS's premier investigative capability to fight transnational criminal organizations.

Looking Forward

The protection of the Nation's borders—land, air, and sea—from the illegal entry of people, weapons, drugs, and other contraband while facilitating lawful travel and trade is vital to homeland security, as well as the Nation's economic prosperity. The global economy is increasingly a seamless economic environment connected by systems and networks that transcend national boundaries. The United States is deeply linked to other countries through the flow of goods and services, capital and labor, and information and technology across our borders. As much as these global systems and networks are critical to the United States and our prosperity, they are also targets for exploitation by our adversaries, terrorists, and criminals. Thus, border security cannot begin simply at our borders.

Joint Task Force Implementation

On November 20, 2014, Secretary Johnson directed the creation of the Southern Border and Approaches Campaign—a unified approach to improve how the Department protects the homeland across our southern borders. The campaign will harness and more effectively coordinate the assets and personnel of CBP, ICE, the USCG, and other resources of the Department. The intent of this campaign is better coordination in enforcement and interdiction across land, sea, and air; to degrade transnational criminal organizations; and to do these things while still facilitating the flow of lawful trade, travel, and commerce across our borders. Moving forward, the Department will continue to engage the joint task force approach which consists of JTF-East which is responsible for our

southeast maritime approaches, JTF-West which is responsible for our southwest land border, and JTF-Investigations which supports the work of the other two Task Forces and focuses on investigations throughout the Nation and with our foreign partners. The Department is working to implement an Agency Priority Goal focused in this area for FY 2016–2017.

Surveillance Technology

Although the Border Patrol has changed dramatically since its inception in 1924, its overall mission remains unchanged: to detect and prevent the illegal entry of aliens into the United States. Together with other law enforcement officers, the Border Patrol helps maintain borders that work, facilitating the flow of legal immigration and goods while preventing the illegal trafficking of people and contraband. The Border Patrol is specifically responsible for patrolling the 6,000 miles of Mexican and Canadian international land borders and 2,000 miles of coastal waters surrounding the Florida Peninsula and the island of Puerto Rico. Agents work around the clock on assignments, in all types of terrain and weather conditions. Agents also work in many isolated communities throughout the United States. One of the biggest changes since the inception of the Border Patrol is the use of surveillance technology. From integrated fixed towers to mobile surveillance, response, and interdiction technology to tunnel detection equipment, the Border Patrol leverages technology to improve their effectiveness. Funding these investments, particularly in surveillance technology, has a workforce multiplier effect. Moving forward, the Department will continue to acquire surveillance technology and is researching opportunities to maximize the right mix of personnel and technology to improve the Border Patrol's capability to detect and prevent illegal entry of aliens into the United States.

Improving Fee Collections

CBP has the statutory responsibility to collect all revenue due to the U.S. Government that arises from the importation of goods. This amounts to more than \$40 billion annually based on import tariffs, duties, and fees on nearly \$2.5 trillion of imports into the United States. However, not all importers pay their tariffs, duties, and fees, which in FY 2013 saw estimated under-collections of \$736.7 million and over-collections of \$108.8 million. Since then, CBP has set an aggressive goal for importers to be 100 percent compliant with required payments. Moving forward, CBP will continue to use and improve on successful operations to improve collections, such as:

- 1) maintaining a permanent team within the CBP Office of Administration dedicated solely to the collection of antidumping and countervailing debts; 2) expanded use of single transaction bonds to protect the revenue when CBP has reasonable evidence that a risk of revenue loss exists;
- 3) continue to leverage key partnerships with Commerce, Treasury, Office of the U.S. Trade Representative, and ICE's Homeland Security Investigations; and 4) institutionalizing the E-bond process to streamline the bonding processes. See the [Tax Burden/Tax Gap](#) section for detailed FY 2015 data.

Dismantling Transnational Criminal Organizations

Transnational criminal organizations are increasing in strength and capability. They rely on revenues generated through the sale of illegal drugs and counterfeit goods, human trafficking and smuggling, and other criminal activities. They also gain strength by taking advantage of the same innovations in management and supply chain structures that are propelling multinational corporations. The Department has seen progress in its strategies to disrupt and dismantle transnational criminal organizations and other illicit actors, including the targeting of illicit financing activities that transnational criminal organizations depend on, creating a deterrent effect from injecting the greatest amount of uncertainty and concern into criminal decision making, and

using intelligence to target and interdict people and illicit goods through a rapid response workforce, as well as surveillance and enforcement assets. Moving forward, the Department is planning to operationalize the HOMECORT Priority Investigations (see story on HOMECORT highlighted on Page 18). Led by the JTF-I and including representatives from CBP, USCG, and ICE, HOMECORT integrates DHS criminal investigations and investigative activities to enhance the Department's efforts to suppress crime, illicit flow, surges, and hotspots, as well as improve law, order, and governance on the border and in the approaches.

Mission 3: Enforce and Administer Our Immigration Laws

A fair and effective immigration system enriches American society, unifies families, and promotes our security. Our Nation's immigration policy plays a critical role in advancing homeland security.

Our goals for this mission are:

- Goal 3.1: Strengthen and Effectively Administer the Immigration System; and
- Goal 3.2: Prevent Unlawful Immigration.



White House Task Force on New Americans

Recognizing the importance of immigrant integration for our Nation's continued success, President Obama created the White House Task Force on New Americans on November 21, 2014. The Task Force includes 16 federal departments, agencies, and White House offices. The Task Force is led by co-chairs Cecilia Muñoz, director of the White House Domestic Policy Council, and León Rodríguez, director of USCIS. On April 14, 2015, the Task Force submitted its report, [Strengthening Communities by Welcoming All Residents: A Federal Strategic Action Plan on Immigrant & Refugee Integration](#), to President Obama. The report establishes a federal immigrant integration strategy that allows new Americans to

contribute to society to their fullest potential. The report provides an action plan that sets 16 core goals that will be achieved, in part, through 48 recommended actions that Task Force members will pursue to help: build welcoming communities; strengthen existing pathways to naturalization and promote civic engagement; support skill development, foster entrepreneurship, safeguard workers; and expand opportunities for linguistic integration and education.

These efforts will build on three critical integration pillars: civic, economic, and linguistic. To examine current federal efforts across each pillar, the Task Force identified and catalogued current federal initiatives that further the civic, economic, and linguistic integration of immigrants. The Task Force's assessment indicated achieving key integration objectives will require greater action by federal agencies, but also by states, local communities, the private sector, philanthropic organizations, and immigrants and refugees themselves.

On July 6, 2015, under the umbrella of the Task Force on New Americans and President Obama's executive actions on immigration, USCIS released a series of promotional materials for the [Citizenship Public Education and Awareness Initiative](#). The new messages include digital and print advertisements in English, Spanish, Chinese, and Vietnamese; radio public service announcements in Spanish and Chinese; and video public service announcements in English and Spanish. This initiative aims to provide those seeking citizenship with information on the naturalization process and USCIS educational resources.

The following highlighted measures gauge our efforts to enforce and administer our immigration laws. Explanations of results, trend analysis, and corrective actions are provided for each measure as appropriate.

Average of processing cycle time (in months) for naturalization applications (N 400) (USCIS)					
FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
4.6	4.6	4.7	5.5	≤ 5.0	5.0

The N-400, Application for Naturalization, is filed by an individual applying to become a U.S. citizen. The average processing time for an N-400 in FY 2015 was five months, meeting the annual target and a significant improvement from the FY 2014 result. This result reverses the prior trend in processing time for this form. A concerted effort was driven by USCIS leadership to lower the cycle time for naturalization applications. USCIS will continue to focus on quality, employee training, technology enhancements, and supervisory engagement to increase the efficiency of case processing.

Overall customer service rating of the immigration process (USCIS)					
FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
80%	93%	87%	86%	85%	88%

This measure gauges the overall rating of the immigration process and is based on the results from the following areas: 1) accuracy of information; 2) responsiveness to customer inquiries; 3) accessibility to information; and 4) customer satisfaction. The FY 2015 result for this measure, 88 percent, is consistent with the results for the past three years and is indicative of the attention USCIS has given to the customer service approach. In addition, these results continue to exceed industry customer satisfaction averages.

Percent of workers determined to be Employment Authorized after an initial mismatch (USCIS)*					
FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
0.28%	0.24%	0.22%	0.19%	≤ 0.90%	0.17%

* Previous measure name: Percent of initial mismatches for authorized workers that are later determined to be "Employment Authorized."

E-Verify is a fast and free Internet-based system that allows employers to confirm the eligibility of their employees to work in the United States. This measure gauges the accuracy of the E-Verify process. The FY 2015 results for this measure, 0.17 percent, demonstrate a year-over-year improvement since FY 2011. E-Verify continues to be very successful in matching employees to their government records during the initial electronic matching phase to ensure only those individuals who have a right to work are employed. In those cases where the electronic check does not find a match, it is very rare that the applicant will be found to be employment authorized after contesting the initial determination. USCIS continues to improve its processes through E-Verify enhancements such as notifying employees by e-mail when there is a mismatch and the launch of *myE-Verify*—a new website designed for employees. *myE-Verify* is a one-stop shop for employees to create and maintain secure personal accounts and access new features for identity protection.

Percent of detention facilities found in compliance with the national detention standards by receiving an acceptable inspection rating (ICE)*					
FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
95%	97%	100%	100%	100%	100%

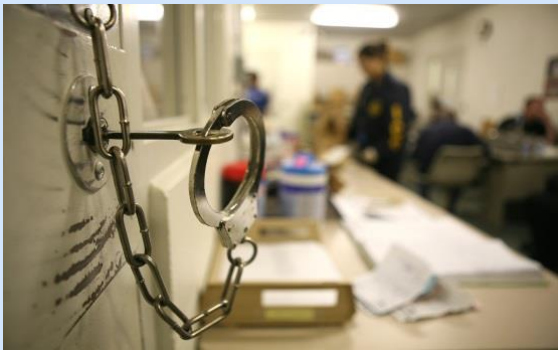
* Previous measure name: Percent of detention facilities found in compliance by receiving an acceptable inspection rating

ICE's Enforcement and Removal Operations (ERO) manages and oversees the Nation's civil immigration [detention system](#). ICE detainees placed in ERO custody represent virtually every country in the world, various security classifications, both genders, and medical conditions ranging from healthy to terminally ill. Through an aggressive inspections program, ICE ensures its facilities follow ICE's [National Detention Standards](#). While not all facilities may be found to be at standard on the initial assessment, ICE works with those facilities to ensure any shortfalls are addressed to meet the 100 percent compliance rate. ERO's Detention Standards Compliance Unit ensures that detainees in ICE custody reside in safe, secure, and humane environments and under appropriate conditions of confinement. For the third straight year, detention facilities found in compliance was 100 percent.

Number of employers audited, sanctioned, or arrested for violating immigration related employment laws or otherwise brought into compliance with those laws (ICE)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	4,743	2,191	1,854	1,928

Robust worksite enforcement has the effect of reducing both the supply and the demand for illegal labor. This measure assesses the number of enforcement-related actions against employers that hire illegal labor including criminal arrests, audits, and final orders of fines. The FY 2015 results of 1,928 met the annual target and are indicative of effective efforts to focus resources in the worksite enforcement program on the criminal prosecution of employers who knowingly hire illegal workers in order to target the root cause of illegal immigration. [Worksite enforcement investigations](#) often involve egregious violations of criminal statutes by employers and widespread abuses. Such cases often involve additional violations such as alien smuggling, alien harboring, document fraud, money laundering, fraud, or worker exploitation. ICE also investigates employers who employ force, threats or coercion (for example, threatening to have employees deported) in order to keep the unauthorized alien workers from reporting substandard wage or working conditions. By uncovering such violations, ICE can send a strong deterrent message to other employers who knowingly employ illegal aliens.



Discovery of Honduran National Wanted for Murder and Attempted Murder

In July 2015, ICE ERO obtained information from the Honduran National Police via the Criminal History Information Sharing (CHIS) initiative, indicating Juan Jesus Cabrera-Morales was wanted for illegal possession of commercial firearms, attempted murder, and murder in Honduras. Cabrera-Morales was arrested by Border Patrol near Calexico, California for illegally entering the United States. Cabrera-Morales is in ERO custody awaiting removal and transfer to Honduran authorities.

Information pertaining to the discovery of warrants in Honduras for Cabrera-Morales was made possible because of ERO's CHIS program. CHIS is a vital international public safety tool that provides participating nations with criminal history information in advance of an alien's removal. CHIS also facilitates the exchange of foreign criminal history information to ICE that would have previously gone unknown. These records assist ICE in the identification and classification of additional illegal immigrants within the agency's criminal removal priorities and enable the discovery of international fugitives.

Looking Forward

The success of our Nation's immigration policy plays a critical role in advancing homeland security. The Department is focused on smart and effective enforcement of U.S. immigration laws while streamlining and facilitating the legal immigration process. Effective administration of the immigration system depends on ensuring that immigration decisions are impartial, lawful, and sound; that the immigration system is interactive and user friendly; that policy and procedural gaps are systematically identified and corrected; and that those vulnerabilities which would allow persons to exploit the system are eliminated. Enforcement efforts must prioritize the identification and removal of dangerous foreign nationals who threaten our national security or the safety of our communities and must include safe and humane detention conditions and respect for due process and civil rights, as accorded by law. Below are a few initiatives that advance our efforts to achieve the Department's immigration enforcement and administration goals.

U.S. Citizenship and Immigration Services' Improvement Plans

USCIS secures America's promise as a nation of immigrants by granting citizenship and immigration benefits, promoting awareness and understanding of citizenship, ensuring the integrity of the immigration system, and providing accurate and useful information to its customers. On an average day, USCIS: completes 23,000 applications for various immigration benefits; welcomes 3,200 new citizens; answers 44,000 phone calls to our toll-free customer service line; serves 9,500 customers at 84 local offices; fingerprints and photographs 15,000 applicants at 136 application support centers; conducts 148,000 national security background checks; and processes 2,040 petitions filed by employers to bring workers to the United States. Moving forward—to continue a superior customer experience—USCIS is shifting toward a new customer service model, evolving from traditional call centers to a full-scale customer engagement center that will include live chat and secure messaging. USCIS is working to provide customers with the following features: 1) a searchable knowledge database that allows customers to enter immigration questions in plain language and receive a clear answer, along with relevant supporting materials; 2) a single, personalized portal that will enable them to access case status information; make case inquiries and submit requests for service; view personalized case and contact history; schedule in-person appointments; and communicate securely with USCIS via chat and email about their cases; and 3) customers will be able to enter data about themselves to identify immigration benefits that they may qualify for, along with information on associated forms, fees, and required documentary evidence.

Unlawful Immigration Investigative Priorities

The increased movement of people and goods across our borders provides many legitimate opportunities but also provides more places to conceal illicit goods, unauthorized migrants, and threats to the United States. Unlawful migration is influenced by many factors, including weak rule of law and violence in other countries. In addition, violent extremists and criminals can hide within this larger flow of migrants who intend no harm. Moving forward, the Department is pursuing a number of strategies, including: increasing the situational awareness of our borders; ensuring that only those abroad who are eligible receive travel documents to the United States; and identifying, arresting, detaining, and removing criminal aliens, fugitives, individuals who pose a threat to public safety, repeat immigration violators, and other dangerous foreign nationals. While certain responsibilities and close cooperation with CBP, USCIS, USCG, and others require significant ICE assets near the border, the majority of immigration enforcement work for ICE takes place in the

country's interior. ICE will continue to improve its prioritization and Significant Case Report process to ensure that ICE assets and agents are focused on the highest priorities.

Mission 4: Safeguard and Secure Cyberspace

Our economic vitality and national security depend on a vast array of interdependent and critical cybernetworks, systems, services, and resources. By statute and Presidential Directive, DHS is the lead for the Federal Government to secure civilian government computer systems, works with industry to defend privately owned and operated critical infrastructure, and works with state, local, tribal, and territorial governments to secure their information systems.

Our goals for this mission are:

- Goal 4.1: Strengthen the Security and Resilience of Critical Infrastructure;
- Goal 4.2: Secure the Federal Civilian Government Information Technology Enterprise;
- Goal 4.3: Advance Law Enforcement, Incident Response, and Reporting Capabilities; and
- Goal 4.4: Strengthen the Ecosystem.

DHS Continues to Expand Enhanced Cybersecurity Services Program

As part of our effort to share timely and actionable cyberthreat information with the private sector, the Department has expanded the [Enhanced Cybersecurity Services \(ECS\)](#) program beyond those entities classified as critical infrastructure to all interested U.S.-based public and private organizations.

ECS solves a difficult challenge for the U.S. Government: sometimes, the government has information so sensitive that the information is classified. If information is classified, the Department cannot share it broadly with the private sector to let companies protect themselves. The solution is ECS.

Through ECS, DHS shares sensitive and classified cyber threat

indicators from across government with Commercial Service Providers (CSPs). In turn, these CSPs use this information to protect their customers, via a commercial agreement, from cyber threats. CSPs are thus a managed security service: a company can pay to receive the security service that these CSPs offer.

Until recently, only critical infrastructure sector entities could receive ECS. Now, CSPs are able to offer ECS to all interested U.S.-based public and private organizations. In FY 2015, ECS accredited two additional CSPs, Verizon, and Lockheed Martin, who are now able to provide ECS intrusion prevention capabilities to customers. CSP accreditation is a time and labor intensive process, sometimes taking well over two years to deploy security systems and finalize security requirements. In addition to Lockheed Martin and Verizon, AT&T and CenturyLink are also accredited to provide ECS, with numerous other companies currently proceeding through the accreditation process. Note that DHS does not endorse any one particular service or business.

ECS currently offers two countermeasure services, DNS Sinkholing and Email Filtering. The program expects to add a third service to its line up in FY 2016. Since inception, ECS has blocked approximately 1,000,000 instances of malicious activity from customer networks. The Federal Government and five sectors (Communications, Commercial Facilities, Defense Industrial Base, Energy, and Finance) currently use ECS. The program is now accelerating outreach efforts in the hopes of bringing more sectors to the table. ECS has proven to be a highly effective part of a layered defense, and is recommended for any organization seeking to implement additional protections against sophisticated threats.



Percent of intelligence reports rated “satisfactory” or higher in customer feedback that enable customers to manage risks to cyberspace (I&A)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	88%	94%	94%	95%	94%

In today's interconnected world, every second can make a difference in either preventing an incident or responding to an event that affects the Nation. The ability of federal, state, local, tribal, territorial, and private sector partners to share accurate information quickly is essential to the Nation's security and resilience. This measure assesses how well the Department provides actionable intelligence to our partners to manage risks to cyberspace. In FY 2015, I&A achieved a 94 percent rating, narrowly missing the target, but consistent with the past two years.

Percent of organizations that have implemented at least one cybersecurity enhancement after receiving a cybersecurity vulnerability assessment or survey (NPPD)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	100%	63%	60%	100%

This measure addresses the extent to which critical infrastructure owners and operators use the results of cybersecurity vulnerability and resiliency assessments to improve their cybersecurity posture. This measure demonstrates the percent of assessed asset owners and operators that are not only developing a better understanding of their cybersecurity posture, but are also taking action to improve that posture. In FY 2015, 100 percent of organizations who received an assessment also implemented at least one cybersecurity enhancement.

Percent of traffic monitored for cyber intrusions at civilian Federal Executive Branch agencies (NPPD)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	73.0%	82.4%	88.5%	89.0%	94.3%

This measure assesses DHS's scope of coverage for potential malicious cyber-activity across participating civilian Federal Government agencies.¹ Federal Executive Branch network monitoring uses EINSTEIN network flow and intrusion detection system sensors which are deployed to trusted Internet connection locations at agencies or Internet service providers. These sensors capture network flow information and provide alerts when signatures, indicative of malicious activity, are triggered by inbound or outbound traffic. The long-term trend is positive for this measure as there continues to be an aggressive plan to consolidate Internet traffic of the civilian Federal Government agencies through the EINSTEIN intrusion detection system sensors. In FY 2015, 94.3 percent of the Federal Executive Branch agencies network traffic was monitored for cyber-intrusions.

Amount of dollar loss prevented by Secret Service cyber investigations (in millions) (USSS)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	\$1,119	\$384	\$727	\$589

¹ Defined as Chief Financial Officers (CFO) Act agencies (other than the Department of Defense) as well as non-CFO Act agencies that are Trusted Internet Connection Access Provider agencies.

The measure reflects USSS's efforts to reduce cyberrelated financial losses to the public. The USSS maintains [Electronic Crimes Task Forces](#), which focus on identifying and locating international cyber criminals connected to cyber intrusions, bank fraud, data breaches, and other computer-related crimes. In FY 2015, \$589 million were prevented by USSS cyber-investigations. This is a considerable decrease from FY 2014; however, large fluctuations in this measure may occur due to the time it takes to initiate and ultimately bring to closure these types of cases.

Percent of planned cyber security products and services transitioned to government, commercial and open sources (S&T)*

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	89%	93%	80%	60%

* Previous measure name: Percent of planned cyber security products and services transitioned to commercial and open sources

This measure reflects the percent of identified and completed planned transitions of cybersecurity products and/or services (e.g., technologies, tools, capabilities, standards, and knowledge products) within S&T's Cyber Security Division (CSD) projects to government, commercial or open sources. In FY 2015, S&T did not meet their goal with results down from the past two years. Two projects were delayed; one to incorporate feedback from stakeholder organizations and the second was due to funding constraints. CSD's mission is to contribute to enhancing the security and resilience of the Nation's critical information infrastructure and the Internet by: 1) developing and delivering new technologies, tools and techniques to enable DHS and the United States to defend, mitigate and secure current and future systems, networks and infrastructure against cyberattacks; 2) conduct and support technology transition; and 3) lead and coordinate research and development (R&D) among the R&D community which includes Department customers, government agencies, the private sector and international partners.



Global Cyber Mastermind Extradited

In June 2015, a multi-year cyber investigation, led by the USSS, culminated in Brooklyn federal court with the arraignment of an alleged architect of a massive global cybercrime operation. Ercan Findikoglu, 33, was arrested by the German BKA (Federal Investigative Police) pursuant to an arrest warrant issued by the United States District Court.

Since 2010, it is alleged that an elite team of hackers, led in part by Findikoglu, targeted payment processors and financial institutions involved in processing prepaid debit cards. The group specialized in breaching databases associated with prepaid debit cards, raising the withdrawal

limits of accounts, disabling security features, and utilizing the accounts to orchestrate worldwide cash-out events. The group has allegedly been linked to at least three of these types of cyber intrusions with actual losses in excess of \$55 million.

Over the past year, several other high ranking members of this criminal organization have been apprehended locally and abroad by both members of USSS, and members of foreign law enforcement agencies working in conjunction with the USSS New York Field Office. As a result of forging new, unprecedented relationships with various international law enforcement partners, USSS has been able to expand both its knowledge of this organization, and maintain itself on the forefront of upcoming malicious trends and tactics.

Looking Forward

Cyberspace and critical infrastructure across the country are vulnerable to a wide range of physical and cyberthreats and hazards that transcend traditional borders and boundaries. Given these wide risks and the potential consequences associated with an attack, strengthening the security and resilience of cyberspace is critical to homeland security. This requires partnerships and engagement with all of society—from government and law enforcement to the private sector and most importantly, members of the public—to mitigate malicious activities while bolstering defensive capabilities. Below are a few areas that advance our efforts to achieve the Department's cybersecurity mission.

Strengthening Critical Infrastructure against Cyber-Attacks

As physical and cyber-infrastructure become increasingly connected, critical infrastructure and emergency response functions are inseparable from the information technology systems that support them. The government's role in this effort is to share information and encourage enhanced security and resilience, while identifying and addressing gaps not filled by the private sector. Moving forward, the Department will work with critical infrastructure, on a voluntary basis, to support private sector risk management at the nexus of physical and cyber-infrastructure. Some of the efforts are: 1) continue the Critical Infrastructure Cyber Community Voluntary Program as the coordination point within the Federal Government for critical infrastructure stakeholders, both public and private, to improve their cyberrisk management processes; 2) enhance our efforts aligned with the 2013 National Infrastructure Protection Plan requirements to support critical infrastructure stakeholders by providing timely and actionable threat and vulnerability products and risk assessment support to help stakeholders make informed, risk-based decisions on their physical and cyber security measures; 3) continue to implement the Transition to Practice program that addresses existing or imminent cybersecurity capability gaps; and 4) coordinate policies, tools, capabilities, and human capital to better assess and manage risks to include both cyber and physical aspects of critical infrastructure.

Securing Federal Civilian Agencies' Networks

DHS has the operational responsibility for protecting federal civilian systems from cyberthreats, helping agencies better defend themselves, and providing response teams to assist agencies during significant incidents. The Continuous Diagnostics and Mitigation (CDM) program provides hardware, software, and services designed to implement cybersecurity tools and services to improve the monitoring and defense of all federal civilian networks. In September 2015, the Department, through the General Services Administration (GSA), awarded three orders under the CDM, making CDM tools and services available to 17 additional federal agencies. Moving forward, DHS will begin the transition process, supporting the integration of the CDM tools and providing the training to effectively use CDM. In addition, the Department will work with our state, local, tribal, and territorial government partners to purchase CDM tools directly from the GSA contract. In addition, efforts in this area are the focus of an Agency Priority Goal DHS is proposing for FY 2016-2017 implementation.

Cybercrime Law Enforcement and Incident Response

Cybercrime remains the fastest growing criminal activity worldwide. Law enforcement performs an essential role in achieving our Nation's cybersecurity objectives by detecting, investigating, and preventing a wide range of cybercrimes, from theft and fraud to child exploitation, and apprehending and prosecuting those responsible. In addition to criminal prosecution, there is a need

to rapidly detect and respond to incidents, including through the development of quarantine and mitigation strategies, as well as to quickly share incident information so that others may protect themselves. Safeguarding and securing cyberspace requires close coordination among federal law enforcement entities, network security experts, state, local, tribal, and territorial officials, and private sector stakeholders. Moving forward, the Department will continue to provide computer forensics support, training, and research and development for investigations into domestic and international criminal activities including computer fraud, network intrusions, financial crimes, access device fraud, bank fraud, identity crimes and telecommunications fraud, benefits fraud, arms and strategic technology, money laundering, counterfeit pharmaceuticals, child pornography, and human trafficking occurring on or through the Internet. In addition, the Department is investing in training opportunities to facilitate the progression and training of agents and analysts focused on cybercapabilities.

Improving Cybersecurity Awareness

The Department has made progress in its efforts to strengthen a healthy cyber-ecosystem through innovating and developing cost effective security products, conducting research and transitioning it to market, developing and executing programs and initiatives to cultivate skilled cybersecurity professionals, enhancing public awareness of cybersecurity, and advancing international engagements to promote capacity building and cooperation around cybersecurity. Moving forward, the Department will continue work to transition research and development such as the recent development to enable a trustworthy cyber-infrastructure through the Software Assurance Marketplace (SWAMP), an online, open-source, collaborative research environment. SWAMP allows software developers to test software for security weaknesses by offering a wide range of software packages to test against, and software researchers to interact and exchange ideas. The Department will continue to support national and regional level cybersecurity competitions which increases awareness of cybersecurity in the next generation workforce and help address the critical shortage of skilled cyber security professionals. We will continue our efforts to develop skilled cybersecurity professionals by expanding access to cybersecurity training through expanding the Federal Virtual Training Environment and the Federal Cybersecurity Training Events programs. Finally, the Department will continue to leverage successful public awareness programs through the hosting and support of National Cybersecurity Awareness Programs, including the Stop.Think.Connect.TM campaign.

Mission 5: Strengthen National Preparedness and Resilience

Despite ongoing vigilance and efforts to protect this country and its citizens, major accidents and disasters, as well as attacks, may occur. The challenge is to build the capacity of American communities to be resilient in the face of disasters and other threats. Our vision of a resilient Nation is one with the capabilities required across the whole community to prevent, protect against, mitigate, respond to, and recover from the threats and hazards that pose the greatest risk.

Our goals for this mission are:

- Goal 5.1: Enhance National Preparedness;
- Goal 5.2: Mitigate Hazards and Vulnerabilities;
- Goal 5.3: Ensure Effective Emergency Response; and
- Goal 5.4: Enable Rapid Recovery.



FINDER Locates Four Buried Under Earthquake Damage

Four men in Nepal, trapped for several days under as much as 10 feet of bricks, mud and other debris, [were rescued](#) on April 25, 2015, thanks to a new search-and-rescue technology developed in partnership with S&T and the National Aeronautics and Space Administration's Jet Propulsion Laboratory.

The device, [FINDER](#) (Finding Individuals for Disaster and Emergency Response), uses microwave-radar technology to detect heartbeats of victims trapped in wreckage. It had previously demonstrated capabilities to detect people buried under up to 30 feet of rubble, hidden behind 20 feet of solid concrete, and from a distance of 100 feet in open spaces. A recently added locator feature not only provides search and rescue responders with confirmation of a heartbeat, but also the approximate location of trapped individuals within about five feet, depending on the type of rubble. In disaster scenarios, such as earthquakes and tornadoes, wreckage is made up of twisted and shattered materials. Radar signals bounce back so signals are complex. FINDER's advanced data processing systems pick out the faint signals and are sensitive enough to distinguish the unique signature of a human's breathing pattern and heartbeat. The advantage of this technology is in allowing first responders to quickly ascertain if a living human victim is present in the debris and, if so, to ensure effective emergency response. The technology is sensitive enough that victims, whether conscious or not, can easily be detected, which helps responders decide the most efficient course of action.

FINDER's human-finding abilities were demonstrated through multiple test searches over the past several years with urban search and rescue teams in Virginia, Oklahoma, Indiana, New Jersey, Georgia, California, and Illinois. This year's earthquakes in Nepal presented the first opportunity to test the technology and the new locator feature in a real-world operational scenario. S&T [announced](#) on May 7, 2015, that two commercial partners have been licensed to manufacture the device.

Percent of communities in high earthquake, flood, and wind prone areas adopting disaster resistant building codes (FEMA)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
48%	56%	57%	61%	61%	63%

This measure assesses the number of communities adopting building codes containing provisions that adequately address earthquake, flood, and wind hazards. FEMA works with code adoption and enforcement organizations to support community implementation of disaster resistant building codes, defined as being in compliance with the National Flood Insurance Program regulations, equivalent to the National Earthquake Hazards Reduction Program recommended provisions, and in compliance with the provisions of the International Codes as designated by the International Codes Council. FEMA also works with the Insurance Services Office Building Code Effectiveness Grading Schedule data to track the number of high-risk communities subject to flood, wind, earthquake, and combined perils that have adopted disaster resistant building codes over time. Over the past five years, significant improvement in the number of communities in high earthquake, flood, and wind-prone areas adopting disaster-resistant building codes has been seen as evidenced by the FY 2015 results of 63 percent—a 31 percent increase since FY 2011.

Percent of states and territories with a Threat and Hazard Identification and Risk Assessment (THIRA) that meets current DHS guidance (FEMA)*

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	86%	71%	100%	77%

* Previous measure name: Percent of states with a Threat and Hazard Identification and Risk Assessment (THIRA) that meets current DHS guidance

The National Preparedness Goal is, “A secure and resilient Nation with the capabilities required across the whole community to prevent, protect against, mitigate, respond to, and recover from the threats and hazards that pose the greatest risk.” The THIRA is a four step common risk assessment process that helps the whole community—including individuals, businesses, faith-based organizations, nonprofit groups, schools and academia and all levels of government—understand its risks and estimate capability requirements. FEMA has set the target for this measure to be 100 percent in light of its importance to the “whole community.” In FY 2015, all 56 states and territories submitted THIRAs as required; 77 percent have developed a THIRA that meets all 4 steps of the current DHS guidance. Thirteen states experienced challenges with developing measurable capability targets, understanding resource requirements, and identifying National Incident Management System resource types.

Percent of incident management and support actions taken that are necessary to stabilize an incident that are performed within 72 hours or by the agreed upon time (FEMA)*

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	100%	100%	100%	100%

* Previous measure name: Percent of incident management and support actions necessary to stabilize a jurisdiction within 72 hours or by the agreed upon time

This measure reflects FEMA's role in effectively responding to any threat or hazard, with an emphasis on saving and sustaining lives within 72 hours, in support of state, local, tribal, and territorial governments. Actions necessary to stabilize an incident are defined as those functions that must be initiated immediately following an incident in order to ensure the best outcomes for survivors. These actions include establishing joint federal/state incident objectives and interoperable communications between FEMA-supported incident sites, deploying urban search and rescue resources, rapidly activating response coordination centers, and issuing timely alerts, warnings, operations orders, and situation reports. For the third year in a row, FEMA has met the 100 percent target.

Percent of people in imminent danger saved in the maritime environment (USCG)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
77.3%	77.3%	79.0%	79.0%	100%	80.0%

Search and Rescue (SAR) is one of the USCG's oldest missions. Minimizing the loss of life by rendering aid to persons in distress involves multi-mission stations, cutters, aircraft, and boats linked by communications networks. To meet this responsibility, the USCG maintains SAR facilities on the East, West, and Gulf coasts; in Alaska, Hawaii, Guam, and Puerto Rico; and on the Great Lakes and inland U.S. waterways. The USCG is recognized worldwide as a leader in the SAR field. Several factors hinder successful response including untimely distress notification to the USCG, incorrect distress site location reporting, severe weather conditions at the distress site, and distance to the scene. While the USCG has set an aspirational goal of saving 100 percent of people

in imminent danger, the results for FY 2015 are consistent with long-term results. The USCG will continue to plan, train, develop better technologies, and invest in capable assets to continue their exemplary performance in saving lives in the maritime environment.

Percent of recovery services through Individual Assistance delivered to disaster survivors gauging the quality of program services, supporting infrastructure, and customer satisfaction following a disaster (FEMA)

FY11 Result	FY12 Result	FY13 Result	FY14 Result	FY15 Target	FY15 Result
---	---	94.5%	91.5%	93.0%	96.9%

Recovery assistance helps individuals affected by disasters and emergencies return to normal quickly and efficiently. This measure is based upon three categories: program services; supporting infrastructure; and customer satisfaction. Sub-elements within these three categories include: providing temporary housing assistance and case management; having available grant management and internet and telephone registration systems; ensuring call centers respond quickly and business staff are in place; and delivering these services to enhance customer satisfaction of those receiving individual assistance from FEMA following a disaster. In FY 2015, FEMA met their target achieving a 96.9 percent rating of services provided to disaster survivors through the Individual Assistance Program and is the highest rating since this measure was introduced.



Benefits of Flood Mapping and Mitigation Action

FEMA's Risk Mapping, Assessment, and Planning program provides updated Flood Insurance Rate Maps, planning, and outreach support throughout the country, working with communities to take action and mitigate future flood risk. This analysis empowered community officials in Colorado to make informed mitigation decisions, such as enacting stricter building codes, improving drainage issues, and restricting construction in Special Flood Hazard Areas (SFHA). These efforts paid off when disaster struck. For eight days in 2013, Colorado experienced unprecedented rainfall along the Front Range of the Rocky Mountains that flooded 18 counties with more than 17 inches of

rain. Despite these extraordinary conditions, homes inside the city limits were damaged, but remained standing. Critical water and wastewater facilities stayed open during the surge. Businesses reopened the day after the rains stopped. While property owners could have never predicted the intensity of the storm—they were prepared.

On March 30, 2015, FEMA issued a case study on the Colorado floods called *Reducing Losses through Higher Regulatory Standards* focused on Boulder, Larimer, and Weld counties. The study's goal was to identify, evaluate, and quantify the cost effectiveness of the practices used by local communities during the 2013 floods and showcase which policies saved lives and property. The study found that requiring freeboard—a safety factor, expressed in feet, above the base flood elevation—as part of design standards saved \$154 million; restricting construction of basements in the new or expanded SFHAs reduced damages by \$50 million; and restricting developments in floodplains reduced potential damages by \$148 million. In addition, the study found a direct correlation between decreased losses and participation in FEMA's Community Rating System, which encourages communities to implement local mitigation, floodplain management, and conduct outreach activities that exceed the minimum NFIP requirements.

FEMA will continue to work with Colorado to make informed decisions about higher regulatory standards, reward communities for their participation in the Community Rating System, and employ other cost effective mitigation measures that will protect lives and livelihood.

Looking Forward

The Department coordinates comprehensive federal efforts to prepare for, protect against, respond to, recover from, and mitigate a terrorist attack, natural disaster or other large-scale emergency, while working with individuals, communities, the private and nonprofit sectors, faith-based organizations, and federal, state, local, tribal, and territorial partners to ensure a swift and effective recovery effort. The Department's efforts to build a ready and resilient Nation include fostering a whole community approach to emergency management nationally; building the Nation's capacity to stabilize and recover from a catastrophic event; bolstering information sharing and building unity of effort and common strategic understanding among the emergency management team; building plans and providing training to our homeland security partners; and promoting preparedness within the private sector. Below are a few initiatives that advance our efforts to achieve our preparedness and resilience goals.

Preparedness and the Whole Community

Preparedness against threats and hazards, such as natural disasters, acts of terrorism, and pandemics is a shared responsibility that calls for the involvement of everyone—known as the whole community approach—in preparedness efforts. The Department continues to implement the National Preparedness System by building and sustaining core capabilities identified in the National Preparedness Goal. The National Planning Frameworks set the strategy and doctrine for how the whole community builds, sustains, and delivers these core capabilities. The Federal Interagency Operational Plans describe the concept of operations for integrating, synchronizing, and ensuring the continuity of existing national-level federal capabilities to support local, state, tribal, territorial, insular area, and federal plans. States and territories begin by assessing risks, developing capability targets, and identifying capability gaps. The Department supports national preparedness by implementing data-driven national programs that deliver planning, training, exercise support, and resources. The Department made significant strides engaging the whole community and incorporating lessons learned from previous incidents into future planning. Moving forward, the Department will expand on current efforts such as the THIRA and State Preparedness Report conducted by each state and territory to develop capability targets, identify capability gaps, and assess progress in implementing their preparedness plans. DHS will also use outreach efforts such as America's PrepareAthon! which has registered more than 20 million individuals to conduct preparedness activities. In addition, DHS will showcase ongoing improvement in disaster preparedness and response in an Agency Priority Goal proposed for FY 2016-2017 implementation.

Mitigating Against Disasters

The Department is uniquely positioned not only to support communities during a disaster, but also to enable them to take steps that will decrease risk and mitigate future hazards before a disaster strikes. While risk cannot be totally eliminated, the Department can influence and support more positive outcomes in reducing risks by: mitigating hazards and vulnerabilities by promoting public and private sector awareness and understanding of community-specific risk; reducing vulnerability through effective mitigation and disaster risk reduction measures; and preventing maritime incidents by establishing, and ensuring compliance with, standards and regulations. Moving forward, the

Department will continue its successful mitigation efforts such as the implementation of SUMMIT² software by FEMA allowing responders, and decision makers to access the Nation's modeling & simulation resources to analyze and prepare for incidents. FEMA will continue to use the Mitigation Framework Leadership Group's development of a Federal Flood Risk Management Standard to ensure federally-funded floodplain infrastructure and other structures are built to account for flood risk. These and other efforts will be leveraged to take advantage of other life and cost saving mitigation efforts.

Response Technologies

Striving to protect the Nation and its citizens against major accidents, disruptions, natural disasters and deliberate attacks, the Department acts as the federal coordinator during emergency response, supporting state, local, tribal, territorial and regional governments, while working with non-government organizations and the private sector to leverage needed resources. Moving forward, the Department will work to develop new technologies that help save lives in the immediate aftermath of a disaster such as the [FINDER](#) device which uses microwave-radar technology to detect heartbeats of victims trapped in wreckage. The Department has improved response capabilities and will continue to find new technologies through our S&T's [APEX](#) program to focus research and development activities on projects that address a wide range of technology opportunities and homeland security challenges.

Long-term Recovery Initiatives

The Department plays a key role in facilitating recovery following a disaster by supplementing communities' recovery core capabilities; promoting infrastructure resilience guidelines and use of standards; and encouraging the development of continuity plans for communities, government entities, and private sector organizations. The devastating effects of recent disasters have highlighted the need to reform our national approach to long-term recovery. Communities devastated by a disaster, particularly large-scale events such as Hurricane Sandy, face complex and difficult challenges including restoring economic viability, rebuilding infrastructure and public services, and establishing resilience against future hazards. Although FEMA has seen improvement to the Public Assistance program through implementation of key sections of the *Sandy Recovery Improvement Act* of 2013, such as small project thresholds allowing for more flexibility in supporting recovery efforts, long-term recovery efforts are being reviewed for further enhancement. Moving forward, the Department is reviewing its public assistance program to assess the current construct for implementing the program and to begin the process for developing a new model for the delivery of assistance after major disasters and emergencies. The Department is also building collaborative capabilities to recover from consequences of cyber events by developing the Annexes to the Federal Interagency Operations Plan. FEMA is also addressing GAO findings to improve administrative cost for major disasters by establishing a robust Disaster Administrative Cost Integrated Project Team with programmatic experts responsible for effectively delivering the mission as well as business managers accountable for finding efficiencies in service delivery.

² SUMMIT is a modeling & simulation software environment that enables analysts, emergency planners, responders, and decision makers to seamlessly access integrated suites of modeling tools & data sources for planning, exercise, or operational response. SUMMIT is being used in small and large-scale exercises to accelerate scenario planning, provide scientifically-grounded scenario data, and enhance the realism and common operating picture.

Mature and Strengthen Homeland Security

The strategic aims and objectives for maturing and strengthening the Department are drawn from the common themes that emerge from each of the mission areas. Ensuring a shared awareness and understanding of risks and threats, building partnerships, strengthening our international enterprise structure, enhancing the use of science and technology, with a strong service and management team underpin our broad efforts to ensure our front-line operators have the resources they need to fulfill the missions of the Department.

Our mature and strengthen goals are:

- Integrate Intelligence, Information Sharing, and Operations;
- Enhance Partnerships and Outreach;
- Strengthen the DHS International Affairs Enterprise in Support of Homeland Security Missions;
- Conduct Homeland Security Research and Development;
- Ensure Readiness of Frontline Operators and First Responders; and
- Strengthen Service Delivery and Manage DHS Resources.



Apex Programs: Restructuring Research and Development across the Homeland Security Enterprise

Early in FY 2015, the Under Secretary for S&T asked leaders within S&T, S&T's stakeholders, and the American public what they thought the big threats to the Nation would be in the next 20-30 years. Using this input, S&T developed and publicized a set of [visionary goals](#). They include: Screening at Speed: Security that Matches the Pace of Life; A Trusted Cyber Future: Protecting Privacy, Commerce, and Community; Enable the Decision Maker: Actionable Information at the Speed of Thought; Responder of the Future: Protected, Connected, and Fully Aware; and Resilient Communities: Disaster-Proofing Society.

With these goals, S&T realized they needed to rethink their projects and how they interact with the Homeland Security Industrial Base. Using the goals as their guide, S&T created complimentary Apex Programs to lead S&T investments toward closing identified homeland security gaps in mission capability within a timeframe of five years or less. S&T carefully refocused some projects toward a more strategic end state, integrating them into Apex Programs. Remaining projects retained their operational focus while still supporting the DHS mission and S&T's visionary goals. Some Apex Programs have as many as 40 individual projects all working toward the accomplishment of a specific Apex goal.

Apex Programs include: [Air Entry/Exit Re-Engineering](#); Border Situational Awareness; Real-Time Bio-threat Awareness; Relational, Adaptive Processing of Information and Display; Next Generation Cyber Infrastructure; Aviation Checkpoint Screening at Speed; and the Next Generation First Responder.

Consolidating and road mapping multiple project efforts under these refocused programs allows S&T to look strategically at the Nation's security and address future challenges while continuing to support today's operational needs. This new construct allows S&T the flexibility of leveraging cross-cutting expertise within S&T, while at the same time engaging smart industry advisors to develop a homeland security industrial base.

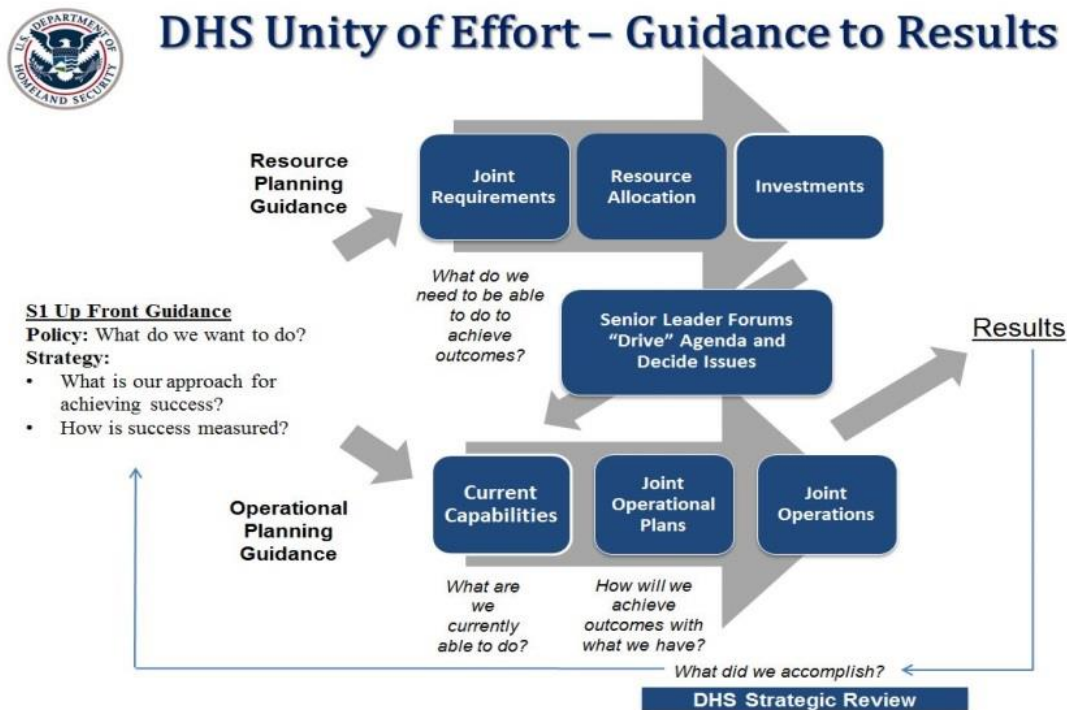
Other complementary innovative actions include S&T's National Conversation on Homeland Security Technology, better align industry insight with Homeland Security Enterprise, a series of online and in person discussions designed to help solve the Nation's security challenges. S&T also added their first [prize competition](#) and kicked off their first [business accelerator](#) program.

Looking Forward

Maturing and strengthening the Department and the entire homeland security enterprise—the collective efforts and shared responsibilities of federal, state, local, tribal and territorial, nongovernmental and private-sector partners, as well as individuals, families, and communities—is critical to the Department's success in carrying out its core missions and operational objectives.

Unity of Effort Initiatives

One year following the introduction of Secretary Johnson's "Strengthening Departmental Unity of Effort" initiative, DHS remains committed to institutionalizing transparent, unified, decision-making processes and empowering DHS Components to collectively address the Department's complex mission space. Over the past fiscal year, the Department has made great strides associated with this vital initiative in spite of challenges, including a sustained period of budgetary constraint.



Notable Unity of Effort initiative accomplishments include:

- The continued productivity of both senior leader forums—the Deputy's Management Action Group (DMAG) and the Senior Leaders Council—which meets twice a month to address the Department's most challenging issues in a transparent, collaborative fashion. Specifically, the council has met to discuss and decide on future Component goals and challenges and approaches to the congressional budget debate. During that timeframe, the DMAG made several key decisions on approval of the FY 2017-2021 Resource Planning Guidance (RPG), the realignment of certain DHS Headquarters offices and their corresponding functions, investment options during the FY 2017-2021 Program and Budget Review, and implementation of the DHS Data Framework.
- On February 27, 2015 Secretary Johnson signed the inaugural DHS RPG—a document called for as part of the Unity of Effort initiative. The FY 2017-2021 RPG outlined leadership priorities for Components and helped inform their respective budget development. This document was crucial to transforming the Secretary's guidance into results by codifying resource planning priorities that enabled DHS Components to address

budget challenges with cross-departmental solutions. As the RPG development and implementation process becomes institutionalized, it will more tangibly drive improvements and harmonization in the areas of joint requirements, resource allocation, and investments.

- The Department has begun to deepen its capabilities to analytically assess and address challenges. Specifically, this analytic agenda will allow the Department to acquire, develop, and implement the basic tools required for data-driven management of its missions. This effort will build and institutionalize the necessary data, models, and underlying business processes to provide a unified baseline to assist leadership with decision making.
- The initial group of studies was a central output from the FY 2017-2021 RPG. These Component-led efforts developed analytically informed solutions to some of the Department's highest priority areas, with several informing the FY 2017-2021 Program and Budget Review.
- A joint duty study, in particular, explored the creation and design of a workforce rotation program to enhance unity of effort and strengthen the Department's greatest resource—its workforce—by identifying and incentivizing participation in professional development work rotations outside the member's home Component. Such a program will improve overall mission effectiveness and Department-wide morale by providing meaningful career opportunities at various levels throughout the Department. The study was broadly endorsed at DHS senior leader forums and resulted in follow-on instruction to create and implement a joint duty pilot program.
- In April 2015, the underlying concepts of the Unity of Effort initiative were applied to improve the acquisition and procurement process as well as enhance industry engagement.
- The new DHS Southern Borders and Approaches Campaign Plan and new DHS Joint Task Forces East, West, and Investigations—another direct extension of the Unity of Effort initiative—achieved full operational capability on July 31, 2015. The introduction of the campaign and three joint task forces reflect the Department's new focus on collective missions with a unified emphasis on joint operations.

These achievements are only the beginning of the Department's strategic direction to unify efforts so that it can effectively and transparently address the diverse set of challenges DHS faces today and in the future. The challenges, which include everything from a no-growth budget, a contested and fraught cyberspace realm, domestic and international terrorists, and more, all demand an agile, strategic and unified Department.

Moving forward, the processes and organizations the Unity of Effort initiative has put into place will continue to grow in institutional strength and provide the driving force behind the Department's new strategic approach. As the Department begins work on the 2018 Quadrennial Homeland Security Review, the Unity of Effort initiative will underscore that when Components are collective in action, the Department more effectively executes its missions.

Workforce Initiatives

The Office of the Chief Human Capital Officer (OCHCO) continued to strengthen the human capital line of business with the transition to a new Human Capital Strategic Plan (HCSP) and operational framework for completing cross-cutting human capital strategic priorities. The HCSP represents the second five year strategic planning cycle emphasizing, management integration, accountability tracking and the use of human capital data analysis to meet DHS mission needs. FY 2015 was the first year the Department developed and implemented an annual operational plan jointly developed by OCHCO and the Components to support continuing performance

improvements. OCHCO also completed a full year of quarterly, data-driven performance reviews through its HRstat program. These planning and implementation efforts by the DHS human capital community along with the integration and support provided by line of business partners were key to GAO awarding the Department a "Fully Addressed" rating for implementing the Human Capital Strategy (HCM #1) in its February 2015 High Risk Report. Moving forward, OCHCO plans include: 1) maturing the value of HRstat, emphasizing data analysis and actions for high impact outcomes that improve performance; 2) enhancing the recruiting and onboarding programs to include new forms of media to attract, engage, and hire employees, including broadening recruitment efforts to women regarding law enforcement careers and to minority serving institutions; 3) continued analysis of the 2015 Federal Employee Viewpoint Survey results to identify Component-specific trends to develop robust action plans to achieve change across the Department; and 4) continue to improve Human resource (HR) services and customer satisfaction levels throughout the Department through the implementation and monitoring of HR Service Level Agreements.

Sustainability Initiatives

The Department continues to ensure that its operations are carried out in a manner that is both environmentally and fiscally sound and fulfills our legal requirements. The DHS Strategic Sustainability Performance Plan (SSPP) is the backbone for successful integration of sustainable practices into the daily business processes and decision making that supports the DHS mission. The SSPP reflects the Department's strategic vision for doing business in a more efficient and sustainable way and incorporates environmental compliance. Sustainable practices conserve energy and natural resources, reduce pollution and contamination releases, enhance the workplace through reduced exposure to hazardous materials and chemicals, and strengthen national security by encouraging energy independence. Moving forward, the Department will continue the implementation of performance contracts (public-private ventures) in an effort to meet its federal \$73.2 million commitment by December 2016. The Department is conducting program management reviews with Components which include updated plans of action and milestones for performance contracts. The newly appointed Deputy Under Secretary for Management/Chief Sustainability Officer will conduct quarterly sustainability meetings to review progress. Continued success in integrating sustainability across the Department requires investment in suitable projects, raising awareness and promoting success. Executive Order 13693, *Planning for Federal Sustainability in the Next Decade* and the SSPP form the basis for DHS actions for the next two years. In accordance with the Executive Order, the Department plans to establish accelerated greenhouse gas reductions that support the Federal Government's goal of achieving a 40 percent reduction in greenhouse gas emissions by 2025. Attaining this goal will require investments in energy conservation projects, building on-site renewable energy installations such as solar power and constructing sustainable buildings.

Strategic Sourcing Initiatives

The DHS Strategic Sourcing Program Office (SSPO) enhances mission efficiency and reduces the cost of delivering the mission by critically analyzing data on what we buy and how we buy it across the Department to identify ways to improve our cost position, reduce redundancy, increase standardization, and streamline the acquisition of products and services. The DHS Strategic Sourcing Program, viewed as a 'best in class' efficiency model across the Federal Government, has been endorsed by the OMB, GAO, and several members of Congress. Since the program's inception in 2005, the Department has saved more than \$3.02 billion. These savings accomplishments are a direct result of effective collaboration among stakeholders across the

Department. A key challenge for DHS is finding the right balance between supporting and adopting Federal Government-wide initiatives and maintaining a portfolio of contract vehicles which provide the agility necessary to support its robust mission. The fulfillment of DHS mission needs takes priority over use and adoption of federal-wide contracts. Moving forward, the Department will continue to evolve its strategic sourcing program to increase its focus on vehicles which enhance the Department's mission capability.

Financial Stewardship

In FY 2015, DHS continued to make substantive progress across the Components in its Financial Systems Modernization (FSM) initiative. FLETC completed a technical refresh of their accounting and budgeting system in the first quarter. USCG, TSA, and DNDO completed a global configuration phase with the Department of the Interior's Interior Business Center (DOI IBC), a federal shared service provider, in the second quarter. This phase determined the common baseline for the three Components on the DOI IBC financial management shared service. Following the global configuration phase, DNDO entered the implementation phase, which continued throughout FY 2015, with go-live scheduled in FY 2016. Moving forward, TSA and USCG implementations are scheduled in subsequent years. In addition, USCIS, S&T, NPPD, and the Management Directorate have obtained approval from the FSM Executive Steering Committee on their business cases for financial systems modernization. These four Components are working with DHS procurement to execute inter-agency agreements for a discovery phase with a federal shared service provider for financial management system services.



Forging Private-Public Partnerships through Training

On June 1, 2015, nearly 175 mall executives, mall security directors, and local law enforcement officers and leaders gathered to participate in the inaugural Private-Public Partnership Academy (PPPA) at FLETC in Glynco, Georgia. FLETC collaborated with NPPD and private sector stakeholders to plan this first-of-its-kind training event at FLETC. The PPPA brought together three distinct groups to participate in training pertinent to securing public venues, with a broader goal of improving coordination, security, and resiliency across traditional public and private sector areas of responsibility.

The pilot PPPA featured training in topics applicable to all segments of the audience, and the planners tailored the training to address both public and private sector roles and responsibilities in securing commercial facilities. Training in topics such as terrorism awareness, weapons of mass destruction, improvised explosive devices, leadership in a crisis, special event security planning, and tactical medical culminated with a final practical exercise, during which four teams competed to identify threat indicators during a large-scale event. FLETC collaborated with NPPD's Federal Protective Service to inject simulated threats into a FLETC-wide event open to all staff. For example, they staged a suspicious package, a person wearing unseasonable clothing, a role player handing out literature indicative of his association with domestic terrorism, an abandoned vehicle containing suspicious materials, and a role player conducting video surveillance with a smart phone. Afterward, FLETC instructors led them through a debriefing to discuss the injected threats and their responsibilities during an actual event.

Participant feedback indicated that one of the greatest values of the PPPA was learning about others' roles, which leads to improved coordination during emergent situations. Additionally, participants observed that the PPPA underscored the private and public sectors' collective responsibility in ensuring safety and security. FLETC is considering how it can replicate this experience for additional private and public sector stakeholders, potentially in other subsectors besides commercial facilities. Through the inaugural PPPA, FLETC concretely incorporated the private sector into the work it does every day to advance training excellence through partnerships.

Priority Goals

Agency Priority Goals

In the FY 2014 Budget, the Obama Administration defined Agency Priority Goals (APGs) which represent areas in which the Administration has identified opportunities to significantly improve near-term performance. The Department's FY 2014-2015 APGs are a set of focused initiatives that support the Agency's longer-term strategic framework. The goal statement each of the Department's APGs is provided below. Additional detail for our FY 2014-2015 APGs and our upcoming FY 2016-2017 APGs are available at: www.performance.gov.

Agency Priority Goal 1: Strengthening Aviation Security through Risk-based Decisions ***(Aligns to DHS Mission 1)***

Strengthen aviation security counterterrorism capabilities and improve the passenger experience by using intelligence driven information and risk-based decisions: By September 30, 2015, TSA will expand the use of risk-based security initiatives to increase the percentage of travelers eligible for expedited screening at airports to 50 percent and enhance the passenger experience.

Agency Priority Goal 2: Prioritized Detention and Removal of Criminal Aliens ***(Aligns to DHS Mission 3)***

Enforce and administer our immigration laws through prioritized detention and removal of criminal aliens: By September 30, 2015, ICE will increase criminal alien removals, as a percentage of total removals, by 5 percent.

Agency Priority Goal 3: Strengthening Disaster Preparedness and Response ***(Aligns to DHS Mission 5)***

Ensure Resilience to Disasters by Strengthening Disaster Preparedness and Response Capabilities: By September 30, 2015, states and territories will demonstrate improvement towards achieving their core capability targets established through their Threat and Hazards Identification and Risk Assessment (THIRA).

Cross-Agency Priority Goals

Cross-Agency Priority (CAP) goals were established and are being led by the Administration with participation from the relevant federal agencies to address cross-cutting issues of importance to government stakeholders. Fifteen CAP goals were announced in the 2015 budget, comprised of seven mission-oriented and eight management-focused goals with a four-year time horizon.

One of the mission-oriented CAP Goals where the Department plays a major role is focused on improving cybersecurity. The Department is also a contributor, along with many other federal agencies, for the following management-oriented CAP goals to: improve energy efficiency to affect climate change; mitigate insider threat risks; identify job-creating opportunities; modernize infrastructure permitting modernization; and improve science, technology, engineering, and mathematics education opportunities.

Each of the CAP goals has goal leads, co-leads, and collaboration from other federal agencies. They are in various stages of developing and implementing their project plans, establishing performance measures and targeted levels of performance, and processes for the regular reporting of progress and results. The CAP goal leads direct the activities of agencies and their staffs to drive cross-cutting results. For more information on both the mission and management CAP goals, see www.performance.gov for the latest information.

Financial Overview

The Department's budgetary resources were approximately \$89.1 billion for FY 2015, about \$3.8 billion more than in FY 2014. The budget represents our plan for efficiently and effectively achieving the strategic objectives set forth by Secretary Johnson to carry out our mission and to ensure that the Department manages its operations within the appropriated amounts using budgetary controls. The Department prepares its Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position on an accrual basis, in accordance with generally accepted accounting principles; meaning that economic events are recorded as they occur, regardless of when cash is received or disbursed. These financial statements provide the results of our operations and financial position, including long-term commitments and obligations. Budgetary accounting principles require recognition of the obligation of funds according to legal requirements, which in many cases occurs prior to the occurrence of a transaction under accrual basis. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds, and are reported in the Statement of Budgetary Resources. The Statement of Custodial Activity is prepared using the modified cash basis. With this method, revenue from cash collections is reported separately from receivable accruals, and cash disbursements are reported separately from payable accruals. KPMG LLP performed the audit of the Department's principal financial statements.

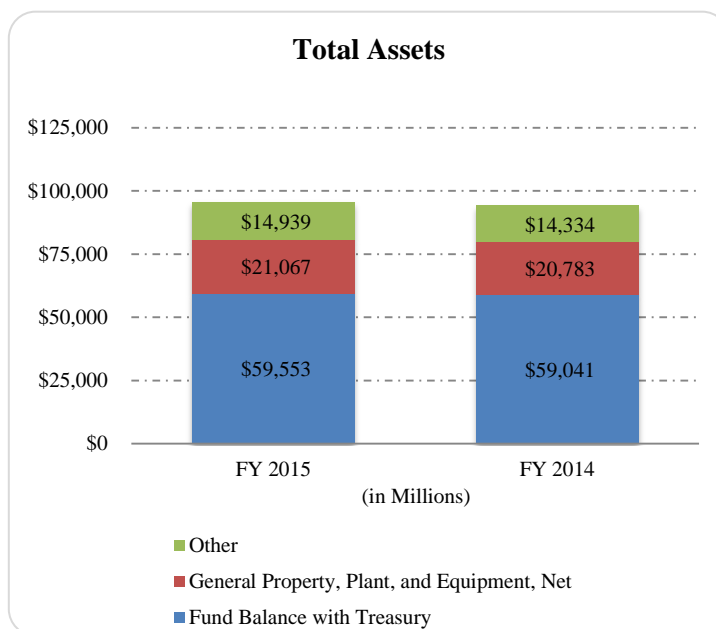
Balance Sheet

The Balance Sheet presents the resources owned or managed by the Department that have future economic benefits (assets) and the amounts owed by DHS that will require future payments (liabilities). The difference between the Department's assets and liabilities is the residual amount retained by DHS (net position) that is available for future programs and capital investments.

Assets – What We Own and Manage

Assets represent amounts owned or managed by the Department that can be used to accomplish its mission. As of September 30, 2015, the Department had \$95.6 billion in assets, representing a \$1.4 billion increase from FY 2014. Assets increased because of a larger amount of investments in the USCG's Oil Spill Liability Trust Fund, and the establishment of FEMA's National Flood Insurance Reserve Fund.

Fund Balance with Treasury (FBwT), the Department's largest asset, comprises 62 percent of the total assets. FBwT balances are primarily appropriated, revolving, trust, deposit, receipt, and special funds remaining at the end of the fiscal year.



Property, Plant, and Equipment (PP&E) is the second largest asset, comprising 22 percent of total assets. The major items in this category include buildings and facilities, vessels, aircraft, construction in progress, and other equipment. In acquiring these assets, the Department either spent resources or incurred a liability to make payment at a future date; however, because these assets should provide future benefits to help accomplish the DHS mission, the Department reports these items as assets rather than expenses. PP&E is recorded at cost, and depreciated over the estimated useful life of the asset. PP&E is presented net of accumulated depreciation.

Other Assets represents 16 percent of total assets, and includes investments, accounts receivable, cash and other monetary assets, taxes, duties and trade receivables, direct loans, inventory and related property, and other.

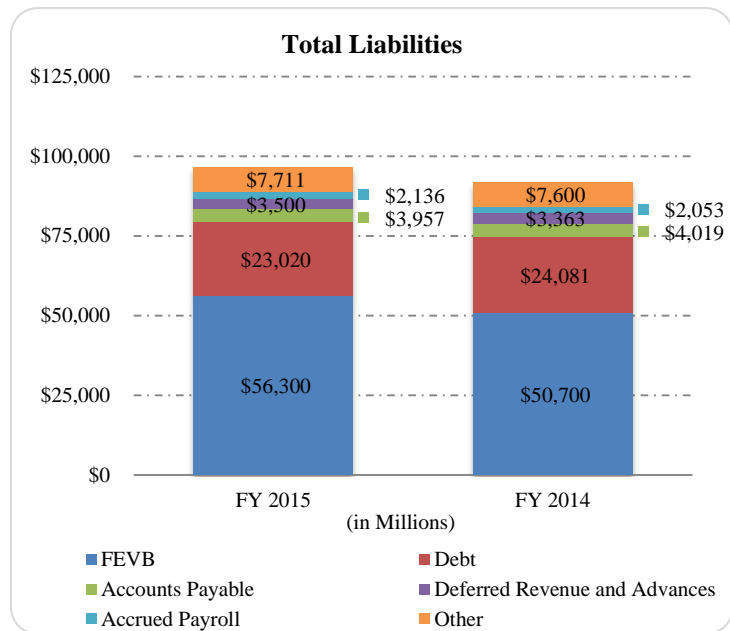
Liabilities – What We Owe

As of September 30, 2015, the Department reported approximately \$96.6 billion in total liabilities. Liabilities are the amounts owed to the public or other federal agencies for goods and services provided but not yet paid for; to DHS employees for wages and future benefits; and for other liabilities.

The Department's largest liability is for *Federal Employee and Veterans' Benefits*, representing 58 percent of total liabilities. The Department owes these amounts to current and past civilian and military personnel for pension and other post-employment benefits. The liability also includes medical costs for approved workers' compensation cases and an estimate for incurred but not yet reported workers' compensation costs. For more information, see Note 16 in the Financial Information section. This liability is not covered by current budgetary resources, and the Department will use future appropriations to cover these liabilities (see Note 14 in the Financial Information section). Federal Employee and Veteran's Benefits increased in FY 2015 due to changes in the discount rate and actuarial assumptions related to mortality improvement, salary scale, and future cost of living.

Debt represents 24 percent of total liabilities, and results from Department of Treasury (Treasury) loans and related interest payable to fund FEMA's National Flood Insurance Program (NFIP) and Disaster Assistance Direct Loan Program. Given the current premium rate structure, FEMA will not be able to pay its debt from the premium revenue alone; therefore, legislation will need to be enacted to provide funding to repay the Bureau of the Fiscal Service. This is discussed further in Note 15 in the Financial Information section.

Accounts payable, representing 4 percent of total liabilities, includes amounts owed to other federal agencies and the public for goods and services received by the Department.



Deferred revenue and advances represents amounts received by the Department for goods or services that have not been fully rendered, which are 4 percent of total liabilities.

Accrued payroll includes unpaid wages and benefits for current DHS employees, and represents 2 percent of total liabilities.

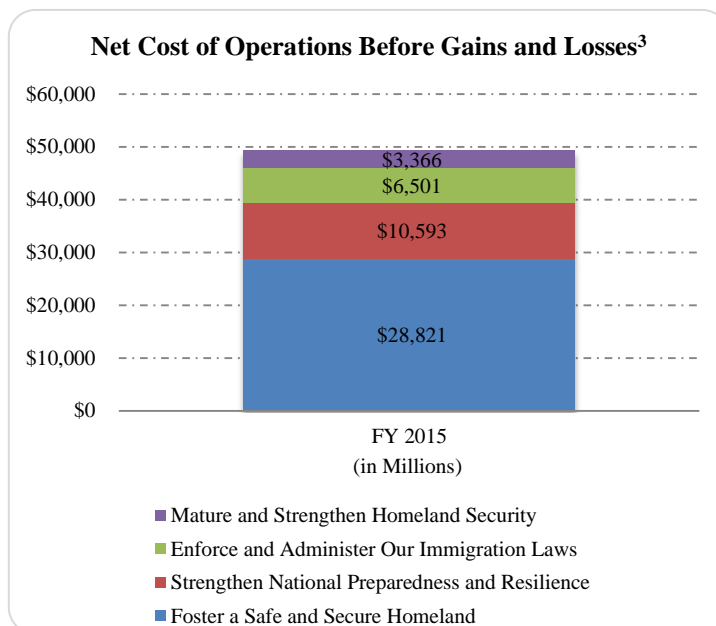
Other liabilities, comprising 8 percent of the Department's liabilities, includes amounts due to the Treasury's general fund, insurance liabilities, environmental liabilities, refunds and drawbacks, and other.

Statement of Net Cost

Net cost of operations represents the difference between the costs incurred and revenue earned by DHS programs. The Statement of Net Cost groups the missions and focus area(s) described in the DHS strategic plan into four major missions to allow the reader of the Statement of Net Cost to clearly see how resources are spent towards the common goal of a safe, secure, and resilient Nation.

The Department is presenting its FY 2015 Statement of Net Cost and related footnotes aligned to the DHS [FY 2014-2018 Strategic Plan](#). The FY 2014 Statement of Net Cost and related footnotes are aligned to the FY 2012-2016 Strategic Plan, which was in effect in FY 2014. Accordingly, the Department is not presenting the FY 2015 and FY 2014 Statements of Net Cost and related footnotes comparatively. Note 1.B, Basis of Presentation, shows the relationship between the Department's five missions and the focus area in the DHS FY 2014-2018 Strategic Plan and the major missions presented in the Statements of Net Cost and related footnotes.

Foster a Safe and Secure Homeland, includes strategic plan missions 1, *Prevent Terrorism and Enhance Security*; 2, *Secure and Manage Our Borders*; and 4, and *Safeguard and Secure Cyberspace*. This major mission involves the security and prevention aspects of the DHS strategic plan, representing 59 percent of the Department's net cost. *Strengthen National Preparedness and Resilience* is mission 5 of the strategic plan and represents 21 percent of total net costs. *Enforce and Administer Our Immigration Laws* is mission 3 of the strategic plan and represents 13 percent of total net costs. *Mature and Strengthen Homeland Security* is the focus area of the DHS strategic plan and represents 7 percent of the



³ The Department is not presenting the FY 2015 and FY 2014 Statements of Net Cost and related footnotes comparatively. Accordingly, only FY 2015 information is presented on this chart. For additional information, see Note 1.B, Basis of Presentation, in the Financial Information section.

Department's net cost. Note 23 in the Financial Information section shows costs by responsibility segment aligned to the major missions.

During FY 2015, the Department earned approximately \$13.5 billion in revenue; this is an increase of about \$1.8 billion from \$11.7 billion as of September 30, 2014. Earned revenue increased in FY 2015 due to a legislative increase in TSA passenger fees collected from air travelers. The Department classifies revenue as either exchange ("earned") or non-exchange revenue. Exchange revenue arises from transactions in which the Department and the other party receive value and that are directly related to departmental operations. The Department also collects non-exchange duties, taxes, and fee revenue on behalf of the Federal Government. This non-exchange revenue is presented in the Statement of Custodial Activity or Statement of Changes in Net Position, rather than the Statement of Net Cost.

Statement of Changes in Net Position

Net position represents the accumulation of revenue, expenses, budgetary, and other financing sources since inception, as represented by an agency's balances in unexpended appropriations and cumulative results of operations on the Statement of Changes in Net Position. Financing sources increase net position and include, but are not limited to, appropriations, user fees, and excise taxes. The net costs discussed in the section above as well as transfers to other agencies decrease net position. Total net position decreased in FY 2015 by approximately \$3.4 billion because of additional net costs when compared to financing sources. This was mostly due to an increase in Federal Employee and Veteran's Benefits costs because of the adoption of new actuarial data to calculate the liability.

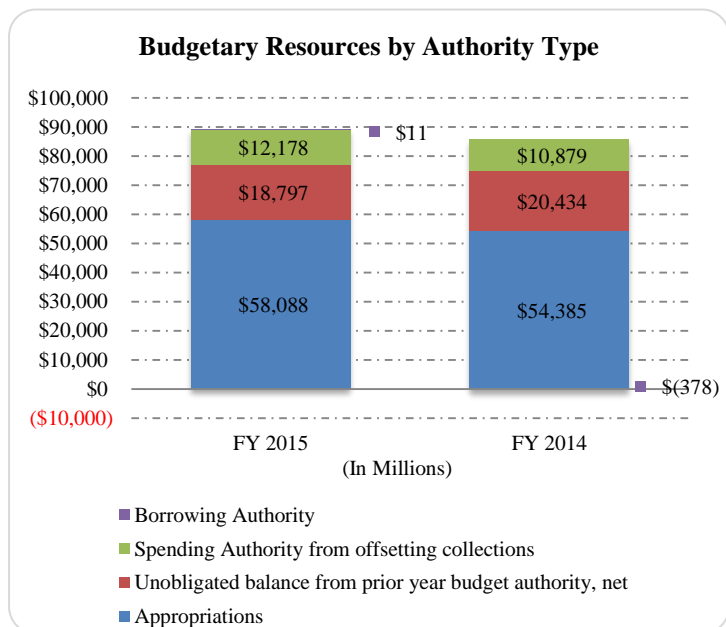
Statement of Budgetary Resources

This statement provides information on the status of the approximately \$89.1 billion in budgetary resources available to the Department during FY 2015.

The authority was derived from appropriations of \$58.1 billion, \$18.8 billion in authority carried forward from FY 2014, and \$12.2 billion in collections. The total amount of resources available increased by approximately \$3.8 billion from FY 2014 primarily due to an increase in refunds and drawbacks at CBP, and an increase in FEMA's disaster funding levels.

As of September 30, 2015, \$16.2 billion of the \$89.1 billion was not yet obligated.

The \$16.2 billion represents \$12.9 billion in apportioned funds available for future use, and \$3.3 billion in unapportioned funds. Of the total budget authority available, the Department incurred a total of \$72.9 billion in obligations from salaries and benefits, purchase orders placed, contracts awarded, or similar transactions. These

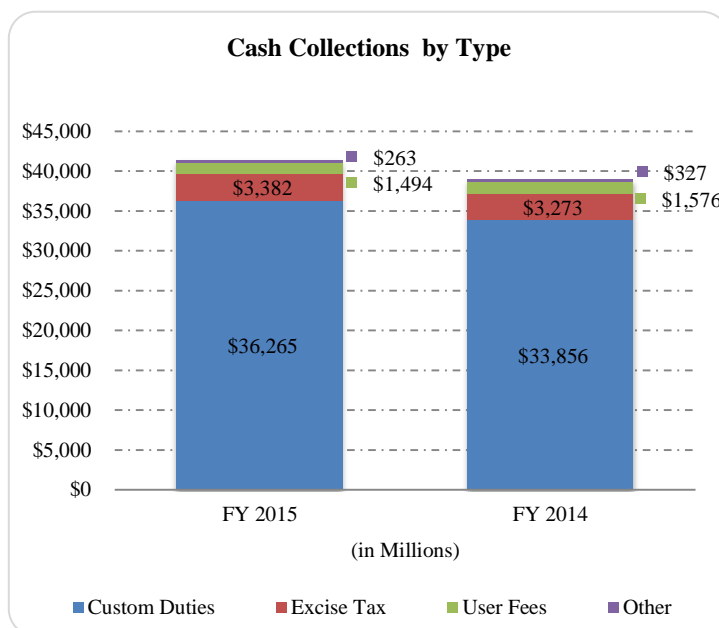


obligations will require payments during the same or future period. The increase in obligations incurred is mainly due to activity related to the construction of the National Bio and Agro-Defense Facility, and trade legislation for refunds and drawbacks claims at CBP.

Statement of Custodial Activities

This statement presents the revenue collected by the Department on behalf of others, and the disposition of that revenue to the recipient entities. Non-exchange revenue is either retained by the Department to further its mission or transferred to Treasury's General Fund and other federal agencies.

Custom duties collected by CBP account for 88 percent of total cash collections. The remaining 12 percent is comprised of excise taxes, user fees, and various other fees. An example of non-exchange revenue for the Department includes user fees that CBP collects on behalf of the Federal Government. These fees are considered non-exchange because they are a result of the Federal Government's sovereign powers rather than as a result of providing goods or services for a fee. Total cash collections increased by approximately \$2.4 billion in FY 2015. Although CBP collected less for harbor maintenance fees, overall increases in importing activity led to higher custom duties collected.



Stewardship Assets and Investments

The Department's stewardship assets are maintained by the USCG, CBP, USCIS, TSA, FEMA, S&T and USSS. These heritage assets primarily consist of documents, historical artifacts, immigration and naturalization files, artwork, buildings, and structures. A heritage asset is any personal property that is retained by DHS because of its historic, cultural, educational, or artistic value as opposed to its current usefulness to carrying out the mission of the Department.

When a heritage asset is predominantly used for general government operations, the heritage asset is considered a multi-use heritage asset. The USCG has over 100 memorials, recreational areas, and other historical areas designated as multi-use heritage assets. CBP has four historical buildings and structures located in Puerto Rico, and FEMA has one training facility that is used by the Emergency Management Institute and the U.S. Fire Administration's National Fire Academy for training in Emmitsburg, Maryland.

Stewardship investments are substantial investments made by the Federal Government for the benefit of the Nation. When incurred, stewardship investments are treated as expenses in calculating net cost, but they are separately reported as Required Supplementary Stewardship

Information to highlight the extent of investments that are made for long-term benefits. Included are investments in research and development, human capital, and non-federal physical property.

Limitations of Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the Department, pursuant to the requirements of Title 31, United States Code, Section 3515(b) relating to financial statements of federal agencies. While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles for federal agencies and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the Federal Government, a sovereign entity.

Other Key Regulatory Requirements

See the Other Information section for *Prompt Payment Act* and *Debt Collection Improvement Act of 1996* information.

Management Assurances

The Federal Managers' Financial Integrity Act, Federal Financial Management Improvement Act, and Department of Homeland Security Financial Accountability Act

DHS management is responsible for establishing, maintaining, and assessing internal control to provide reasonable assurance that the objectives of the *Federal Managers' Financial Integrity Act of 1982* (31 U.S. Code 3512, Sections 2 and 4) and the *Federal Financial Management Improvement Act of 1996* (Pub. L. 104-208) are met. In addition, the *Department of Homeland Security Financial Accountability Act* (Pub. L. 108-330) requires a separate management assertion and an audit opinion on the Department's internal control over financial reporting.

In FY 2006, the OMB revised Circular A-123 to address internal control reporting changes to align with private industry regulatory requirements. At that time, DHS management prepared a multi-year plan to implement its evaluation of controls over financial reporting as required under the revised guidance. Since FY 2006, DHS management has made significant improvements in management controls across DHS operations and financial management and reporting. Staff and management at Headquarters and in the Components have worked steadily and extensively to remediate operating and financial reporting controls such that the Department will be able to sustain its financial statement opinion and be able to achieve an opinion over internal control in the near future.

In FY 2011, DHS controls and financial management were improved such that DHS achieved its first opinion on the Balance Sheet and Statement of Custodial Activity. This was a major milestone for the Department. In FY 2012, DHS controls and financial management continued to improve such that the Department achieved its first qualified opinion on its full set of financial statements. Additionally, the Department was able to report a qualified reasonable assurance over internal control over financial reporting. In FY 2013, the Department achieved its first unmodified opinion on all its financial statements, and was able to provide a second consecutive qualified assurance over financial reporting controls. In FY 2014, the Department sustained the unmodified opinion on all financial statements and provided a third-consecutive qualified assurance over financial reporting controls. In FY 2015, the Department reduced the four remaining material weaknesses to three by remediating Budgetary Accounting to a reportable condition and achieved an unmodified opinion on all its financial statements. Additionally, DHS is able to provide a fourth consecutive qualified assurance over financial reporting controls. Much work remains to improve financial management and information technology in order to remediate the remaining material weaknesses in Financial Reporting, Property, Plant, and Equipment, and Information Technology and sustain these critical milestones over time and become more efficient.

In assessing the Department's operational and financial management controls, management executes annual assessments to evaluate the status of internal controls to support the Secretary's annual assurance statement. These annual assessments are part of a multi-year implementation plan and management is required to assess controls to determine the extent and materiality of the deficiencies.

A material weakness within internal control over financial reporting is defined as a reportable condition or combination of reportable conditions that results in more than a remote likelihood that a material misstatement of the financial statements or other significant financial reports will not be prevented or detected. To identify material weaknesses and nonconformance conditions, management used the following criteria:

- Merits the attention of the Executive Office of the President and the relevant congressional oversight committees;
- Impairs fulfillment of essential operations or mission;
- Deprives the public of needed services;
- Significantly weakens established safeguards against waste, loss, unauthorized use or misappropriation of funds, property, other assets, or conflicts of interest;
- Substantial noncompliance with laws and regulations; and
- Financial management systems conformance to government-wide systems requirements.

DHS instituted an Accountability Structure, which includes a Senior Management Council (SMC), the Risk Management and Assurance (RM&A) Division, and a Senior Assessment Team (SAT). The SMC approves the level of assurances for the Secretary's consideration and is comprised of the Department's Under Secretary for Management, Chief Financial Officer, Chief Readiness Support Officer, Chief Human Capital Officer, Chief Information Officer, Chief Information Security Officer, Chief Security Officer, and Chief Procurement Officer.

The RM&A Division seeks to integrate and coordinate internal control assessments with other internal control related activities and includes representatives from all DHS lines of business to address crosscutting internal control issues. Finally, the SAT, led by the Chief Financial Officer and overseen by RM&A, is comprised of senior-level financial managers assigned to carry out and direct Component-level internal control over financial reporting assessments.

Component Senior Leadership provided assurance statements to the SAT that serve as the primary basis for the Secretary's assurance statements. These assurance statements are also based on information gathered from various sources including management-initiated internal control assessments, program reviews, and evaluations. In addition, these statements consider the results of reviews, audits, inspections, and investigations performed by the DHS OIG and GAO.

Secretary's Assurance Statement

November 13, 2015



The Department of Homeland Security is committed to a culture of integrity, accountability, fiscal responsibility, and transparency. The Department's management team is responsible for establishing and maintaining effective internal control over the three internal control objectives: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

In accordance with the *Federal Managers' Financial Integrity Act of 1982 (FMFIA)* and the *Department of Homeland Security Financial Accountability Act*, I directed an evaluation of internal control at the Department in effect during the Fiscal Year (FY) ending September 30, 2015. This evaluation was conducted in accordance with Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. The Department provides reasonable assurance that the objectives of FMFIA, Section 2 over non-financial operations have been achieved.

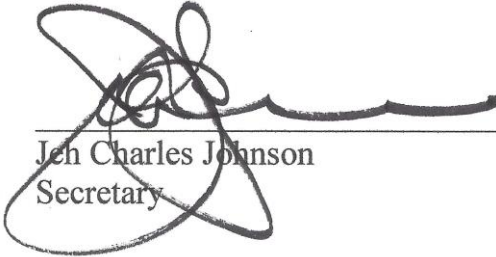
The Department has completed its FY 2015 evaluation of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with OMB Circular A-123, Appendix A, and Departmental requirements. The Department provides reasonable assurance that our internal control over financial reporting were operating effectively as of September 30, 2015, with the exception of the three business areas: 1) Financial Reporting; 2) Property, Plant, and Equipment; and 3) Information Technology Controls and Systems Functionality, where material weaknesses have been identified and remediation is in process, as further described in the Other Information Section. In addition, DHS financial management systems do not fully conform to the objectives of FMFIA, Section 4, and the *Federal Financial Management Improvement Act of 1996 (FFMIA)*. The Department will continue its efforts to ensure that management control systems are in place to achieve the mission of the Department. In accordance with OMB guidance, the Department is executing incremental Component-level financial system modernization projects in order to deliver functionality that will enable full conformance with FFMIA. Specifically, the DHS Domestic Nuclear Detection Office will migrate to a shared service provider beginning in the first quarter of FY 2016. The DHS financial systems modernization concept streamlines and adjusts its IT financial portfolio so that the DHS Chief Financial Officer and Components have the flexibility to meet their mission and the changing demands for financial visibility and accountability.

The Department remains committed to financial stewardship by providing accurate, complete, and timely information to stakeholders for mission critical decisions. As a result, for the third consecutive year we have achieved an unmodified opinion on the Department's

financial statements on the FY 2015 full scope audit. We are dedicated to fully mitigating and eliminating the remaining material weaknesses so we can provide an unqualified assurance and subsequently achieve an unqualified audit opinion on internal control over financial reporting as required by law and regulation.

We will continue to ensuring that taxpayer dollars are managed with integrity, diligence, and accuracy, and that the systems and processes used for all aspects of financial management demonstrate the highest level of accountability and transparency.

Sincerely,



Jeh Charles Johnson
Secretary

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires federal agencies to implement and maintain financial management systems that comply substantially with:

- Federal financial management system requirements;
- Applicable federal accounting standards; and
- The U.S. Standard General Ledger at the transaction level.

In assessing compliance with FFMIA, the Department uses OMB guidance and considers the results of the OIG's annual financial statement audits and *Federal Information Security Management Act* (FISMA) compliance reviews. As reported in the Secretary's Management Assurance Statements, significant system improvement efforts are in progress to modernize, certify, and accredit all financial management systems to conform to government-wide requirements.

Financial Management Systems

Pursuant to the *Chief Financial Officers Act of 1990*, the DHS Chief Financial Officer (CFO) is responsible for developing and maintaining agency accounting and financial management systems to ensure systems comply with applicable accounting principles, standards, and requirements and with internal control standards. As such, the DHS CFO oversees and coordinates all financial system modernization efforts.

DHS has adopted a hybrid approach to modernizing financial management systems across the Department. Our approach includes:

- Expanding business intelligence and standardizing data across Components to quickly provide enterprise-level reporting; and
- Targeting investments in financial systems modernization in a cost-effective manner and minimizing duplication in infrastructure in accordance with emerging technologies and guidance, prioritizing essential system modernizations for the Components with the most critical need.

Appendix D to Circular No. A-123 defines new requirements effective in FY 2014 for determining compliance with the FFMIA. The goal of this Appendix is to transform our compliance framework so that it will contribute to efforts to reduce the cost, risk, and complexity of financial system modernizations. The objective of this approach will be to provide additional flexibility for federal agencies to initiate smaller-scale financial modernizations as long as relevant financial management outcomes (e.g., clean audits, proper controls, timely reporting) are maintained.

In accordance with OMB guidance, the Department is executing incremental Component-level financial system modernization projects in order to deliver functionality faster and reduce risks often associated with large, complex Information Technology (IT) projects. By splitting the projects into smaller, simpler segments with clear deliverables, the Department can ensure delivery of timely, well-managed solutions. The Department will also leverage existing infrastructure and evolving technologies, such as shared service providers and cloud-based solutions.

The Department has made great strides during the past year in our FSM initiative. The *Financial Systems Modernization Playbook* (Playbook) articulates the vision and actions the Department is undertaking to strengthen access to and the quality of financial information to support decision making. It communicates our plan for expanding business intelligence capability to provide enterprise-level information and for strengthening financial systems in a cost-effective manner. These standards will also strengthen internal controls throughout the Department to provide more efficient operations.

The Department has adopted a decentralized strategy and will modernize individual Component financial systems, as needed. This incremental approach is consistent with OMB guidance and will allow the Department to leverage existing shared service providers' proven systems and processes in concert with DHS-wide policy and standards for implementations, instead of making costly investments in new systems. The Department is working to ensure programs are planned and executed to meet reporting requirements, minimize costs for financial operations, improve compliance with financial management standards such as FFMIA, and make certain that financial management systems have management controls in place to support the DHS mission. Specific goals for FY 2016 include continuing to work with Components on FSM efforts with a focus on TSA, USCG, FEMA, ICE, and ICE customers. DNDO will migrate to the Interior Business Center's solution during the first quarter of FY 2016.

The DHS financial systems modernization concept streamlines and adjusts its IT financial portfolio so that the DHS CFO and Components have the flexibility to be able to meet their mission and the changing demands for financial visibility and accountability. FSM requires having an intelligent transition plan for each system and financial management capability. As part of the decentralized approach, DHS Components are conducting Alternatives Analysis prior to moving forward with their FSM efforts. Through the FSM initiative, the Department is working to improve existing financial systems to better meet FFMIA requirements. Components considering a shared service provider for their financial management system modernization will consult OMB A-123, Appendix D which is effective as of FY 2014 for the minimum requirements an external provider must demonstrate including FFMIA requirements.

Federal Information Security Modernization Act of 2014

FISMA provides a framework for ensuring effectiveness of security controls over information resources that support federal operations and assets, and provides a statutory definition for information security.

The Office of Inspector General's FY 2015 FISMA audit is pending completion at the time of this report's issuance. As such, the audit recommendations and Management's response to the recommendations will be provided when made available.