Other Information

The ***Other Information*** section contains information on Tax Burden/Tax Gap, Combined Schedule of Spending, Summary of Financial Statement Audit and Management Assurances, Payment Integrity, Fraud Reduction, Reduce the Footprint, and Other Key Regulatory Requirements. Also included in this section are the OIG's Summary of Major Management and Performance Challenges Facing the Department of Homeland Security and Management's Response.

Unaudited, see accompanying Auditors' Report

Tax Burden/Tax Gap

Revenue Gap

The Entry Summary of Trade Compliance Measurement (TCM) program collects objective statistical data to determine the compliance level of commercial imports with U.S. trade laws, regulations and agreements, and is used to produce a dollar amount for Estimated Net Under-Collections, and a percent of Revenue Gap. The Revenue Gap is a calculated estimate that measures potential loss of revenue owing to noncompliance with trade laws, regulations, and trade agreements using a statistically valid sample of the revenue losses and overpayments detected during TCM entry summary reviews conducted throughout the year.

Table 2: Entry Summary of Trade Compliance Measurement

($ in millions)

	FY 2018 (Preliminary)	FY 2017 (Final)
Estimated Revenue Gap	$267.0 mil	$544.7 mil
Estimated Revenue Gap of all collectable revenue for year (%)	0.54%	1.34%
Estimated Over-Collection	$62.0 mil	$75.2 mil
Estimated Under-Collection	$329.0 mil	$619.9 mil
Estimated Overall Trade Compliance Rate (%)	98.8 %	99.4 %

The preliminary overall compliance rate for Fiscal Year (FY) 2018 is 98.8 percent. The final overall trade compliance rate and estimated revenue gap for FY 2018 will be issued in February 2019.

Combined Schedule of Spending

The Combined Schedule of Spending (SOS) presents an overview of how departments or agencies are spending money. The SOS presents combined budgetary resources and obligations incurred for the reporting entity. Obligations incurred reflect an agreement to either pay for goods and services, or provide financial assistance once agreed upon conditions are met. The data used to populate this schedule is the same underlying data used to populate the Statement of Budgetary Resources (SBR). Simplified terms are used to improve the public's understanding of the budgetary accounting terminology used in the SBR.

What Money is Available to Spend? This section presents resources that were available to spend as reported in the SBR.

- ***Total Resources*** refers to total budgetary resources as described in the SBR and represents amounts approved for spending by law.
- ***Amounts Not Agreed to be Spent*** represents amounts that the Department was allowed to spend but did not take action to spend by the end of the fiscal year.
- ***Amounts Not Available to Spend*** represents amounts that the Department was not approved to spend during the current fiscal year.
- ***Total Amounts Agreed to be Spent*** represents amounts that the Department has made arrangements to pay for goods or services through contracts, orders, grants, or other legally binding agreements of the Federal Government. This line total agrees to the New Obligations and Upward Adjustments line on the SBR.

How was the Money Spent/Issued? This section presents services or items that were purchased, categorized by Components. Those Components that have a material impact on the SBR are presented separately. Other Components are summarized under Directorates and Other Components, which includes the Countering Weapons of Mass Destruction (CWMD) Office[1] , the Federal Law Enforcement Training Center (FLETC), the Office of Intelligence and Analysis (I&A), the Office of Operations Coordination (OPS), the Management Directorate (MGMT), the Office of Inspector General (OIG), the National Protection and Programs Directorate (NPPD), the Science and Technology Directorate (S&T), U.S. Citizenship and Immigration Services (USCIS), and the U.S. Secret Service (USSS).

For purposes of this schedule, the breakdown of "How Was the Money Spent/Issued" is based on the Office of Management and Budget (OMB) definitions for budget object class found in OMB Circular A-11.

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[1] The Countering Weapons of Mass Destruction (CWMD) Office was created in December 2017 to elevate and streamline DHS efforts to prevent terrorists and other national security threat actors from using harmful agents, such as chemical, biological, radiological, and nuclear material and devices, to harm Americans and U.S. interests. The CWMD Office consolidated the Domestic Nuclear Detection Office (DNDO), a majority of the Office of Health Affairs (OHA), and elements of the Office of Strategy, Plans, & Policy. For AFR presentation purposes, all prior and current year references to DNDO, OHA, Office of Strategy, Plans, & Policy have been replaced with CWMD.

- ***Personnel Compensation and Benefits*** represents compensation, including benefits directly related to duties performed for the government by federal civilian employees, military personnel, and non-federal personnel.
- ***Contractual Service and Supplies*** represents purchases of contractual services and supplies. It includes items like transportation of persons and things, rent, communications, utilities, printing and reproduction, advisory and assistance services, operation and maintenance of facilities, research and development, medical care, operation and maintenance of equipment, subsistence and support of persons, and purchase of supplies and materials.
- ***Acquisition of Assets*** represents the purchase of equipment, land, structures, investments, and loans.
- ***Grants, Subsidies, and Contributions*** represents, in general, funds to states, local governments, foreign governments, corporations, associations (domestic and international), and individuals for compliance with such programs allowed by law to distribute funds in this manner.
- ***Insurance, Refunds, and Other Spending*** represents benefits from insurance and federal retirement trust funds, interest, dividends, refunds, unvouchered or undistributed charges, and financial transfers.

Who did the Money Go To? This section identifies the recipient of the money, by federal and non-federal entities. Amounts in this section reflect "amounts agreed to be spent" and agree to the New Obligations and Upward Adjustments line on the SBR.

The Department encourages public feedback on the presentation of this schedule. Feedback may be sent via email to par@hq.dhs.gov.

Department of Homeland Security
Combined Schedule of Spending
For the Years Ended September 30, 2018 and 2017
(In Millions)

	2018	2017
What Money is Available to Spend?		
Total Resources	$ 154,773	$ 101,963
Less Amount Available but Not Agreed to be Spent	(43,815)	(16,598)
Less Amount Not Available to be Spent	(3,078)	(3,478)
TOTAL AMOUNT AGREED TO BE SPENT	**$ 107,880**	**$ 81,887**
How Was the Money Spent/Issued?		
U.S. Customs and Border Protection		
Personnel Compensation and Benefits	$ 11,717	$ 11,107
Contractual Services and Supplies	4,445	3,948
Acquisition of Assets	2,527	1,372
Insurance, Refunds, and Other Spending	2,080	1,798
Total Spending	**20,769**	**18,225**

(Continued)

Department of Homeland Security
Combined Schedule of Spending
For the Years Ended September 30, 2018 and 2017
(In Millions)

	2018	2017
U.S. Coast Guard		
Personnel Compensation and Benefits	5,847	5,526
Contractual Services and Supplies	5,092	4,575
Acquisition of Assets	798	1,215
Grants, Subsidies, and Contributions	114	115
Insurance, Refunds, and Other Spending	10	18
Total Spending	**11,861**	**11,449**
Federal Emergency Management Agency		
Personnel Compensation and Benefits	1,723	1,393
Contractual Services and Supplies	14,714	7,101
Acquisition of Assets	1,480	581
Grants, Subsidies, and Contributions	16,544	8,921
Insurance, Refunds, and Other Spending	10,266	6,356
Total Spending	**44,727**	**24,352**
U.S. Immigration and Customs Enforcement		
Personnel Compensation and Benefits	3,419	3,292
Contractual Services and Supplies	4,141	3,617
Acquisition of Assets	281	205
Insurance, Refunds, and Other Spending	43	51
Total Spending	**7,884**	**7,165**
Transportation Security Administration		
Personnel Compensation and Benefits	5,141	4,979
Contractual Services and Supplies	2,681	2,429
Acquisition of Assets	250	191
Grants, Subsidies, and Contributions	79	80
Insurance, Refunds, and Other Spending	3	4
Total Spending	**8,154**	**7,683**
Directorates and Other Components		
Personnel Compensation and Benefits	5,273	4,828
Contractual Services and Supplies	8,437	7,450
Acquisition of Assets	612	606
Grants, Subsidies, and Contributions	159	103
Insurance, Refunds, and Other Spending	4	26
Total Spending	**14,485**	**13,013**

(Continued)

Department of Homeland Security
Combined Schedule of Spending
For the Years Ended September 30, 2018 and 2017
(In Millions)

	2018	2017
Department Totals		
Personnel Compensation and Benefits	33,120	31,125
Contractual Services and Supplies	39,510	29,120
Acquisition of Assets	5,948	4,170
Grants, Subsidies, and Contributions	16,896	9,219
Insurance, Refunds, and Other Spending	12,406	8,253
TOTAL AMOUNT AGREED TO BE SPENT	**$ 107,880**	**$ 81,887**
Who Did the Money Go To?		
Non-Federal Governments, Individuals and Organizations	$ 81,034	$ 61,825
Federal Agencies	26,846	20,062
TOTAL AMOUNT AGREED TO BE SPENT	**$ 107,880**	**$ 81,887**

Summary of Financial Statement Audit and Management Assurances

Table 3 and Table 4 below provide a summary of the financial statement audit results and management assurances for FY 2018.

Table 3: Summary of the Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Area of Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting	1	0	0	0	1
IT Controls & System Functionality	1	0	0	0	1
Total Areas of Material Weakness	**2**	**0**	**0**	**0**	**2**

For FY 2018, the Independent Auditors' Report on the integrated financial statement audit identified material weakness conditions at the Department level. Consistent with the Independent Auditor's Report, the Department is providing reasonable assurance on internal control over financial reporting, with the exception of material weaknesses as identified in Table 4 as of September 30, 2018. Management has performed its evaluation, and the assurance is provided based upon the cumulative assessment work performed on Entity Level Controls, Financial Reporting, Budgetary Accounting, Fund Balance with Treasury, Human Resources and Payroll Management, Payment Management, Insurance Management, Grants Management, Property Plant and Equipment, Revenue and Receivables, and Information Technology General Controls across the Department. DHS has remediation work to continue in FY 2019; however, no additional material weaknesses were identified as a result of the assessment work performed in FY 2018. The following table provides those areas where material weaknesses were identified and remediation work continues.

Table 4: Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA SECTION 2)					
Statement of Assurance	Modified				
Area of Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting	1	0	0	0	1
IT Controls & System Functionality	1	0	0	0	1
Total Areas of Material Weaknesses	**2**	**0**	**0**	**0**	**2**
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA SECTION 2)					
Statement of Assurance	Unmodified				
Area of Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None Noted	0	0	0	0	0
Total Areas of Material Weaknesses	**0**	**0**	**0**	**0**	**0**

COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT SYSTEMS REQUIREMENTS (FMFIA SECTION 4)					
Statement of Assurance	Systems do not fully conform with financial system requirements				
Non Conformances	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Federal Financial Management Systems Requirements, including Financial Systems Security & Integrate Financial Management Systems.	1	0	0	0	1
Noncompliance with the U.S. Standard General Ledger	1	0	0	0	1
Federal Accounting Standards	1	0	0	0	1
Total Non-Conformances	**3**	**0**	**0**	**0**	**3**

COMPLIANCE WITH SECTION 803(a) OF THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)		
	DHS	Auditor
Federal Financial Management System Requirements	Lack of compliance noted	Lack of compliance noted
Applicable Federal Accounting Standards	Lack of compliance noted	Lack of compliance noted
USSGL at Transaction Level	Lack of compliance noted	Lack of compliance noted

Payment Integrity

The Improper Payments Information Act of 2002 (IPIA) (Pub. L. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) (Pub. L. 111-204) and Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA); (Pub. L. 112-248), requires agencies to review and assess all programs and activities they administer and identify those determined to be susceptible to significant improper payments, estimate the annual amount of improper payments, and submit those estimates to Congress. A program with significant improper payments has both a 1.5 percent improper rate and at least $10 million in improper payments, or it exceeds $100 million dollars regardless of the error rate. Additionally, federal agencies are required to assess improper payments and report annually on their efforts according to OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*.

The Department performs risk assessments to determine susceptibility to improper payments, testing to estimate the rates and amounts of improper payment, establishes improper payment reduction targets in accordance with OMB guidance, and develops and implements corrective actions. In addition to this report, more detailed information on the Department's improper payments and information reported in previous Agency Financial Reports (AFR) can be found at https://paymentaccuracy.gov/.

In FY 2018, the Department made significant progress to improve its processes to comply with IPERA. The Department has successfully reduced estimated improper payment rates over the years from an average estimated improper payment rate of 1.3 percent in FY 2013 to 0.62 percent in FY 2018. In FY 2018, the OIG conducted an annual audit to determine whether the Department complied with IPERA as reported in the FY 2017 AFR. The OIG concluded DHS did not fully comply because it did not meet its annual reduction targets established by within 0.1 percent for two programs deemed susceptible to significant improper payments. For FY 2018 reporting, DHS met established reduction targets for seven of the eight programs deemed susceptible to significant improper payments due to continued corrective action efforts and sustained internal controls. We remain strongly committed to ensuring our agency's transparency and accountability to the American taxpayer and achieving the most cost effective strategy on the reduction of improper payments.

1. Risk Assessments

In accordance with IPERA Section 2(a), agency heads are required to periodically review all programs and activities that the relevant agency head administers and identify all programs and activities that may be susceptible to significant improper payments, and perform the review at least once every three years.

In FY 2017, the Department established a two part process comprised of a preliminary assessment followed by a comprehensive assessment if necessary. The preliminary risk assessment process is used on all programs not already reporting an improper payment estimate and that meet the minimum disbursement threshold of $10 million[2]. The comprehensive risk assessment process is required based on the preliminary risk assessment results and the program's three year risk assessment cycle. In FY 2018, the Department conducted 39 comprehensive risk assessments. The Department assessed all payment types except for federal intragovernmental payments, which were excluded based on the definition of an improper payment per OMB Circular A-123, Appendix C.

In conducting the comprehensive risk assessments, components held meetings with program managers, key personnel, and other stakeholders to discuss the inherent risk of improper payments. The Department's comprehensive risk assessment involved evaluating attributes that directly or indirectly affect the likelihood of improper payments using the GAO Standards for Internal Control (Green Book) framework: As required by OMB Circular A-123, Appendix C, the following minimum risk factors were also considered:

- Whether the program or activity reviewed is new to the agency;
- The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts;
- The volume of payments made annually;
- Whether payments or payment eligibility decisions are made outside of the agency, for example, by a state or local government, or a regional Federal office;
- Recent major changes in program funding, authorities, practices, or procedures;
- The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate;
- Inherent risks or improper payments due to the nature of agency programs or operations[3];
- Significant deficiencies in the audit reports of the agency including, but not limited to, the agency Inspector General or the GAO audit report findings, or other relevant management findings that might hinder accurate payment certification; and
- Results from prior improper payment work[4].

Program managers and Component's internal controls division assigned a risk rating to each risk factor based on their detailed understanding of the processes and risk of improper payment. Weighted percentages were assigned to each risk factor rating based on a judgmental determination of the direct or indirect impact on improper payments. An overall risk score was then computed for each program, calculated by the sum of the weighted scores for each risk factor and overall rating scale. Programs were assessed using both qualitative and quantitative risk factors to determine if they were susceptible to significant improper payments. A weighted average of 65 percent for qualitative factors and 35 percent for quantitative risk yields the program's overall risk score.

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[2] Per OMB Circular A-123, Appendix C, a program is only susceptible to "significant improper payments" if the program has both a 1.5 percent improper rate and at least $10 million in improper payments, or exceeds $100 million dollars regardless of the error rate.
[3] Removed in the June 26, 2018 release of OMB Circular A-123, Appendix C "Requirements for Payment Integrity Improvement"
[4] Removed in the June 26, 2018 release of OMB Circular A-123, Appendix C "Requirements for Payment Integrity Improvement"

Additionally, the Department conducted independent reviews of component submissions to identify significant changes in the program compared to last year and assess the reasonableness of the risk ratings. RM&A maintains the final documentation of component submissions and reviews, including maintaining a list of all programs and activities assessed this current FY.

2. Sampling and Estimation

The Department used a statistically valid, stratified sample design[5] performed by a statistician to select and test FY 2017 disbursements for those programs identified as susceptible to significant improper payments. Our procedures provided an overall estimate of the percentage of improper payment dollars within ±3 percent precision at the 95 percent confidence level, as specified by OMB Circular A-123 Appendix C.

Using a stratified random sampling approach, payments were grouped into mutually exclusive "strata," or groups based on total dollars. A stratified random sample typically required a smaller sample size than a simple random sample to meet the specified precision goal at any confidence level. Once the overall sample size was determined, the individual sample size per stratum was determined using the Neyman Allocation method. The following procedure describes the sample selection process:

- Grouped payments into mutually exclusive strata;
- Assigned each payment a random number generated using a seed;
- Sorted the population by stratum and random number within stratum; and
- Selected the number of payments within each stratum (by ordered random numbers) following the sample size design[6].

To estimate improper payment dollars for the population from the sample data, the stratum-specific ratio of improper dollars (gross, underpayments, and overpayments, separately) to total payment dollars was calculated.

3. Payment Reporting

The table below summarizes Improper Payment (IP) amounts for DHS programs susceptible to significant improper payments. It provides a breakdown of estimated IP and reduction targets for each DHS program or activity. IP percent (IP%) and IP dollar (IP$) results are provided from this year's testing of FY 2017 payments. Data for projected future−year improvements is based on the timing and significance of completing corrective actions.

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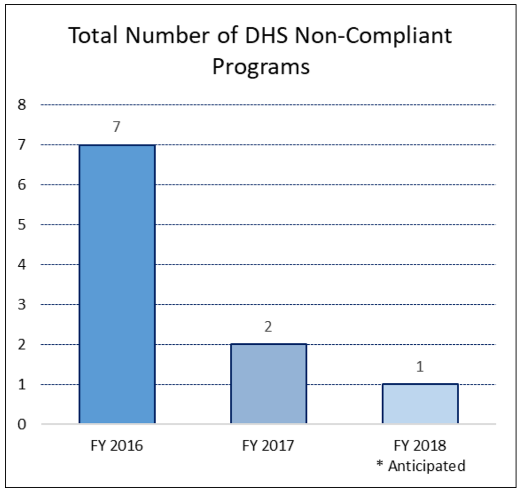
[5] The Federal Emergency Management Agency (FEMA) Homeland Security Grant Program (HSGP), and Public Assistance (PA) Program used an OMB approved alternative sampling methodology for multi-year targeted sampling plan.
[6] For the certainty strata, all payments are selected.

Improper Payment Results and Reduction Outlook

Program Name	FY 2017 Outlays ($ in millions)	FY 2017 IP Amount ($ in millions)	FY 2017 IP Rate (%)	FY 2018 Outlays ($ in millions)	FY 2018 Proper Amount ($ in millions)	FY 2018 Proper Rate (%)	FY 2018 IP Amount ($ in millions)	FY 2018 IP Rate (%)	FY 2018 Overpayment Amount ($ in millions)	FY 2018 Overpayment Rate (%)	FY 2018 Underpayment Amount ($ in millions)	FY 2018 Underpayment Rate (%)	FY 2019 Est. IP Rate & Reduction Target (%)
	2017 Testing (Based on FY 2016 Actual Data)			2018 Testing (Based on FY 2017 Actual Data)									2019 Testing (Based on FY 2018 Actual Data
Customs and Border Protection (CBP) – Refund and Drawback (R&D) Program [1]	$1,875.0482	$14.8443	0.79%	$1,871.2814	$1,870.9265	99.98%	$0.3549	0.02%	$0.1880	0.01%	$0.1669	0.01%	0.15%
Federal Emergency Management Agency (FEMA) – Assistance to Firefighters Grant (AFG) Program [2]	$299.1566	$0.2581	0.09%	$306.4698	$302.4121	98.68%	$4.0576	1.32%	$4.0576	1.32%	$0.0000	0.00%	1.20%
FEMA – Flood Hazard Mapping & Risk Analysis (FHMRA) Program [3]	$132.0186	$4.3206	3.27%	$144.1581	$143.9076	99.83%	$0.2505	0.17%	$0.2477	0.17%	$0.0028	0.002%	0.50%
FEMA – Homeland Security Grant Program (HSGP) [4]	$1,280.1709	$4.8646	0.38%	$851.7723	$845.4692	99.26%	$6.3031	0.74%	$6.3031	0.74%	$0.0000	0.00%	1.10%
FEMA – National Flood Insurance Program (NFIP) [5]	$2,339.8225	$0.2917	0.01%	$3,742.6134	$3,742.4409	99.995%	$0.1726	0.005%	$0.1715	0.005%	$0.0011	0.00003%	0.10%
FEMA – Public Assistance (PA) Program [6]	$3,410.7482	$34.1075	1.00%	$3,428.1655	$3,395.0952	99.04%	$33.0704	0.96%	$32.9837	0.96%	$0.0867	0.003%	0.90%
FEMA – Vendor Pay (VP) Program [7]	$974.1092	$43.0423	4.42%[8]	$1,540.4643	$1,514.3464	98.30%	$26.1180	1.70%	$24.2779	1.58%	$1.8401	0.12%	1.60%
Immigration and Customs Enforcement (ICE) – Enforcement & Removal Operations (ERO) Program [9]	$1,828.1754	$6.0404	0.33%	$2,132.4533	$2,132.1638	99.99%	$0.2895	0.01%	$0.2895	0.01%	$0.0000	0.00%	0.60%
Science and Technology (S&T) – Hurricane Sandy Payments [10]	$0.7017	$0.0000	0.00%										
United States Coast Guard (USCG) – Acquisition, Construction, & Improvements (AC&I), Operating Expenses (OE) - Hurricane Sandy [10]	$79.4812	$1.0940	1.38%										
TOTAL[11]	$12,219.43	$108.86	0.89%	$14,017.38	$13,946.76	99.50%	$70.62	0.50%	$68.52	0.49%	$2.10	0.01%	0.63% [12]

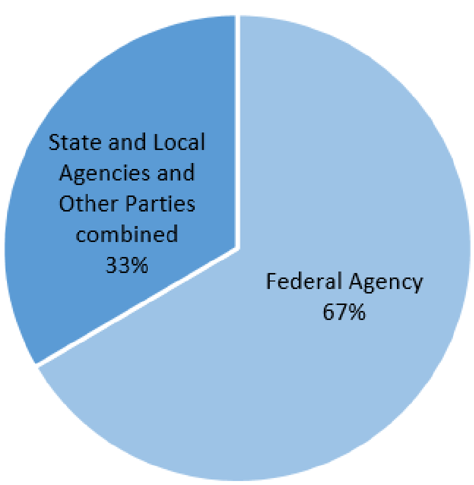
Note 1: The CBP Refunds and Drawback (R&D) program meets the 95/3 guidance for statistically valid and robust plan with an achieved precision rate of 1.81%. As such the FY 2018 IP rate of 0.02% met the FY 2018 Est. IP Reduction Target of 0.24% as the lower bound (0.00%) of the confidence interval of 0.00% to 1.83% is equal to or less than the reduction target.
Note 2: The FEMA Assistance to Firefighters Grant (AFG) program meets the 95/3 guidance for statistically valid and robust plan with an achieved precision rate of 2.08%. As such the FY 2018 IP rate of 1.32% met the FY 2018 Est. IP Reduction Target of 0.09% as the lower bound (0.00%) of the confidence interval of 0.00% to 3.41% is equal to or less than the reduction target.
Note 3: The FEMA Flood Hazard Mapping & Risk Analysis (FHMRA) program, previously titled the Flood Risk Map & Risk Analysis (FRM&RA) program, meets the 95/3 guidance for statistically valid and robust plan with an achieved precision rate of 1.22%. As such the FY 2018 IP rate of 0.17% met the FY 2018 Est. IP Reduction Target of 5.00% as the lower bound (0.00%) of the confidence interval of 0.00% to 1.39% is equal to or less than the reduction target.
Note 4: The FEMA Homeland Security Grant Program (HSGP) uses a non-statistically valid plan and alternative measurement methodology, previously approved by OMB, which uses a three-year assessment cycle. To calculate the national error rate for FY 2017 actual data, the error rate from the States tested in FY 2015, FY 2016, and FY 2017 were applied to the FY 2017 State payment populations to derive a national average. Given the limited scope of testing under the approved alternative measurement methodology, the sample was not designed to achieve a specified level of precision. As such, the FY 2018 IP rate of 0.74% did not meet the FY 2018 Est. IP Reduction Target of 0.35%.
Note 5: The FEMA National Flood Insurance Program (NFIP) meets the 95/3 guidance for statistically valid and robust plan with an achieved precision rate of 2.19%. As such the FY 2018 IP rate of <0.01% met the FY 2018 Est. IP Reduction Target of 0.17% as the lower bound (0.00%) of the confidence interval of 0.00% to 2.20% is equal to or less than the reduction target.
Note 6: The FEMA Public Assistance (PA) program uses a non-statistically valid plan and alternative measurement methodology, previously approved by OMB, which uses a three-year assessment cycle. To calculate the national error rate for FY 2017 actual data, the error rate from the States tested in FY 2015, FY 2016, and FY 2017 were applied to the FY 2017 State payment populations to derive a national average. Given the limited scope of testing under the approved alternative measurement methodology, the sample was not designed to achieve a specified level of precision. As such, the FY 2018 IP rate of 0.96% did meet the FY 2018 Est. IP Reduction Target of 1.00%.
Note 7: The FEMA Vendor Pay (VP) program meets the 95/3 guidance for statistically valid and robust plan with an achieved precision rate of 1.12%. As such the FY 2018 IP rate of 1.70% met the FY 2018 Est. IP Reduction Target of 4.00% as the lower bound (0.57%) of the confidence interval of 0.57% to 2.82% is equal to or less than the reduction target.
Note 8: In the FY 2017 DHS Agency Financial Report (AFR), DHS inaccurately reported the FEMA Vendor Pay (VP) program FY 2017 Underpayment Rate as 0.00% when it should have been reported as 0.02%. The overall FY 2017 IP Rate of 4.42% and the FY 2017 Overpayment Rate of 4.40% were accurately reported.
Note 9: The ICE Enforcement and Removal Operations (ERO) program meets the 95/3 guidance for statistically valid and robust plan with an achieved precision rate of 2.00%. As such the FY 2018 IP rate of 0.01% met the FY 2018 Est. IP Reduction Target of 1.00% as the lower bound (0.00%) of the confidence interval of 0.00% to 2.02% is equal to or less than the reduction target.
Note 10: The program did not record Hurricane Sandy related outlays in FY 2017. Also, the program does not have any remaining Hurricane Sandy funds and/or has been granted an OMB issued waiver. Therefore, this program was not tested in FY 2018.
Note 11: The total of estimates does not represent a true statistical improper payment estimate for the Department.
Note 12: The estimated DHS IP rate is not a true statistical estimate for the Department and was calculated using estimated outlays as well as estimated reduction outlook IP rates for FY 2019 testing.

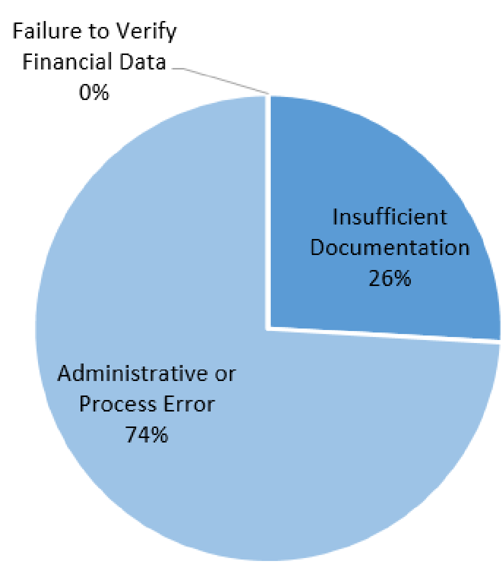
DHS non-compliance related to programs not meeting the published reduction targets has shown significant improvement over the past three years. Specifically, FEMA has reduced its number of non-compliant programs by approximately 80%. For the FY2018 IPERA review, DHS expects to have one program, FEMA Homeland Security Grant Program (HSGP), reported as non-compliant due to not meeting the reduction target established in prior year.



Upon analysis, we found that improper payments for the programs tested in FY 2018 were due to failure to verify financial data (approximately 0 percent), administrative or process errors (approximately 74 percent), and insufficient documentation (approximately 26 percent). In addition, approximately 67 percent of improper payments were attributed to errors made by the Federal Agency and 33 percent due to errors made by State and Local Agencies and Other Parties combined. The root causes were identified through improper payment testing and categorized using categories of error as defined in the June 2018 update to OMB Circular A-123, Appendix C.

Improper Payment Error Categories





The below table summarizes, by program, the root cause and estimated amount of improper payments made directly by the Government, and the amount of improper payments made by recipients of Federal money for the current fiscal year.

Table 5: Root Cause of Improper Payments

($ in millions)

Program	Payment Type	Error Made by Federal Agency			Error Made by State and Local Agency	Error Made by Other Party [1]	TOTAL
		Failure to Verify	Administrative or Process Error	Insufficient Documentation to Determine	Administrative or Process Error	Administrative or Process Error	
CBP: R&D	Overpayments	$0.0000	$0.1880	$0.0000	$0.0000	$0.0000	$0.1880
	Underpayments	$0.0000	$0.1669	$0.0000	$0.0000	$0.0000	$0.1669
FEMA: AFG	Overpayments	$0.0000	$0.0000	$3.4667	$0.5909	$0.0000	$4.0576
	Underpayments	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
FEMA: FHMRA	Overpayments	$0.0000	$0.2128	$0.0349	$0.0000	$0.0000	$0.2477
	Underpayments	$0.0000	$0.0028	$0.0000	$0.0000	$0.0000	$0.0028
FEMA: HSGP	Overpayments	$0.0011	$0.0000	$6.2767	$0.0253	$0.0000	$6.3031
	Underpayments	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
FEMA: NFIP	Overpayments	$0.0000	$0.00006	$0.0000	$0.0000	$0.1714	$0.1715
	Underpayments	$0.0000	$0.0000	$0.0000	$0.0000	$0.0011	$0.0011
FEMA: PA	Overpayments	$0.0000	$2.1002	$8.1457	$22.7377	$0.0000	$32.9837
	Underpayments	$0.0000	$0.0000	$0.0000	$0.0867	$0.0000	$0.0867
FEMA: VP	Overpayments	$0.0000	$24.1016	$0.1763	$0.0000	$0.0000	$24.2779
	Underpayments	$0.0000	$1.8401	$0.0000	$0.0000	$0.0000	$1.8401
ICE: ERO	Overpayments	$0.0000	$0.0788	$0.2107	$0.0000	$0.0000	$0.2895
	Underpayments	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
TOTAL		$0.001	$28.69	$18.31	$23.44	$0.17	$70.62

Note 1: Other Party to include: participating lender, health care provider, or any other organization administering Federal dollars

4. Improper Payment Corrective Actions

The following table lists corrective actions for the FEMA Vendor Pay (VP) program which exceeds the statutory threshold of 1.5 percent improper rate and $10 million in improper payments. These corrective actions are targeted at addressing the root causes of insufficient documentation, specifically the billed price within invoices not being identified in the contracts. The root causes of these errors are reoccurring from prior years, and FEMA has continued implementing the following corrective actions to ensure greater compliance. Through these actions, FEMA has made progress to reduce improper payments by 2.72 percentage points in 2018 testing.

FEMA Vendor Payment (VP) Program Corrective Actions

Error Cause	Error Cause Subcategory	Corrective Actions	Completion Date
Improve Quality of Contracts			
Insufficient Documentation	Billed Pricing not in Contract	Draft and incorporate standardized billing instructions to be included in all contracts, defining the standard form and content of billings for different contract types. Incorporate standard billing instructions in contract writing system.	Completed - August 2015 [1]
		FEMA Office of the Chief Procurement Officer (OCPO) to issue policy guidance regarding required Contract Line Item Number (CLIN) structure to be included in contracts.	Completed - November 2015 [1]
		FEMA OCPO to train Contracting Officers (COs) as part of PRISM system implementation, in uploading and maintaining Attachments or Quotes for which pricing is based, into the official contract file in PRISM.	Completed - March 2017 [2]
Administrative or Process Error	Authorization Issue	Revise contract template to include standard section for authorized invoice approver, designated payment office, and authorized official for receiving and acceptance.	Completed - August 2015 [1]
Improve Quality of Invoice Review			
Administrative or Process Error	Billed Pricing not in Contract or Mismatch to Contract	Conduct mandatory training for all Contracting Officer Representatives (CORs) and COs on proper invoice review and approval.	Completed – July 2013 Training Ongoing Quarterly
		Develop invoice review checklist addressing payments of different types, and what needs to be validated based on payment type.	Completed – March 2017
	Calculation Error; Interest Not Paid; Discount not Taken	Conduct training for Vendor Payment Accounting technicians on proper review of invoices and related invoice processing. Quarterly training will be enhanced to add additional focus on PPA.	3/31/2019
Improve Quality of Receipt and Acceptance			
Administrative or Process Error	Billed Pricing not in Contract	Develop a standard Inspection, Acceptance, and Receiving Report for FEMA COTR's for support of invoices.	Completed - January 2016

Error Cause	Error Cause Subcategory	Corrective Actions	Completion Date
		Develop COR specific training on documenting acceptance where required, by contract line item or deliverable.	Completed – June 2018 Training Ongoing Quarterly

Note 1: While the corrective action is completed, it applied to new contract actions awarded after August 2015. The VP disbursement universe still includes actions / payments for contracts awarded before this date.
Note 2: While the corrective action is completed, it applied to new contract actions awarded after the PRISM system implementation. The VP disbursement universe still includes actions / payments for contracts awarded before this date.

5. Accountability

The goals and requirements of IPERIA were communicated to all levels of staff throughout the Office of the Chief Financial Officer and to relevant program office and procurement staff. The Department has taken extensive measures to ensure that managers, accountable officers (including Component CFOs), programs, and states and localities are held accountable for reducing and recapturing improper payments. The Department's CFO and senior staff have incorporated improper payment reduction targets in their annual performance plans.

Component managers are responsible for completing internal control work on payment processing as part of the Department's OMB Circular A-123 effort. They are further responsible for establishing and maintaining sufficient internal controls, including a control environment that prevents improper payments from being made, effectively managing improper payment risks, and promptly detecting and recovering any improper payment that may occur. Management's improper payments efforts are subject to an annual compliance review by the DHS's Office of Inspector General.

6. Agency Information Systems and Other Infrastructure

OMB requires the identification of all programs with improper payments exceeding the statutory thresholds defined as 1) both 1.5 percent of program outlays and $10 million or 2) $100 million, regardless of the improper payment percentage of total program outlays. Using this criteria, the FEMA Vendor Pay program exceeded the statutory threshold with an estimated improper payment rate of 1.70 percent and approximately $26.12 million in estimated improper payments. Refer to the *Improper Payment Results and Reduction Outlook* table for the statistically valid estimate of the annual amount of improper payment for FEMA Vendor Pay.

The Department and FEMA have the necessary internal controls, human capital, information systems, and infrastructure to continue its efforts of reducing improper payments and increase recoveries as demonstrated through reduction of estimated improper payment rates reported this FY. The Department monitors Component improper payment testing in accordance with OMB Circular A-123. Additionally, each CFO provides an annual assurance statement attesting to the effectiveness of program controls within their Component.

7. Barriers

There are no statutory or regulatory barriers that will impact the ability of DHS to successfully complete corrective actions to reduce improper payments.

8. Recapture of Improper Payments

During FY 2018, the Department did not have any recovery audit activities for FY 2017 disbursements. The Department conducted multiple cost analysis reviews over the past several years and determined that payment recapture audit programs are not cost-effective by considering recovery amounts, costs of audits exceeding recovery amounts identified for recapture and no major changes to payment operations to justify performing an audit.

The table on the next page identifies funds recovered outside of the recapture audit program. Overpayments identified through grant and contract closeout processes, IPERA testing, or self-reported by vendors were collected through the high dollar overpayment reporting process during FY 2018.

Table 6: Overpayment Payment Recaptured with and without Recapture Audit Programs

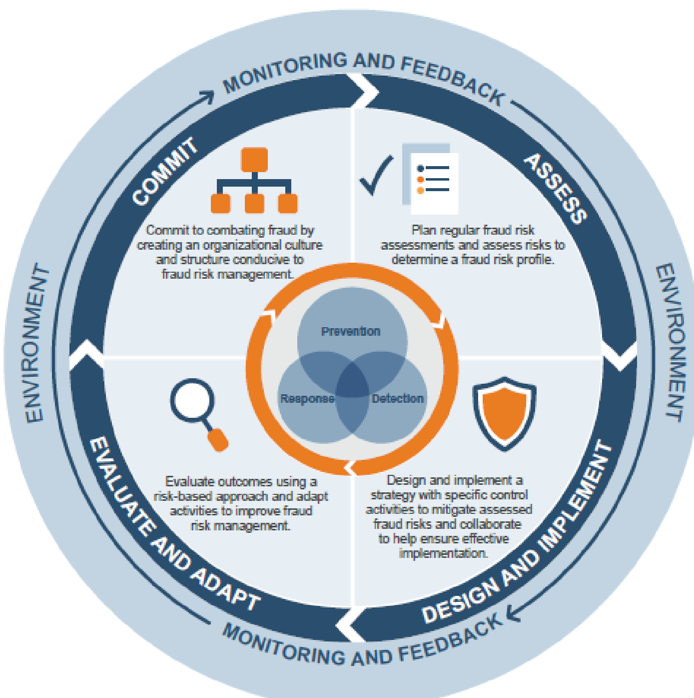
($ in millions)

	Overpayments Recaptured outside of Payment Recapture Audits	
Component	Amount Identified	Amount Recaptured
ICE	$0.25	$0.25
NPPD	$0.26	$0.26
S&T	$0.26	$0.26
TSA	$7.98	$7.98
DHS Totals	**$8.75**	**$8.75**

Fraud Reduction

On June 30, 2016, Congress enacted Public Law 111-186, Fraud Reduction and Data Analytics Act (FRDAA). The FRDAA requires agencies to conduct an evaluation of fraud risks and use a risk-based approach to design and implement financial and administrative control activities to mitigate identified fraud risks; collect and analyze data from reporting mechanisms on detected fraud to monitor fraud trends and periodically improve fraud detection through use of data analytics; and use the results of monitoring, evaluation, audits and investigations to improve fraud prevention, detection and response.

DHS implemented several initiatives to comply with the FRDAA using GAO's Fraud Risk Framework and OMB Circular A-123. While DHS Components and respective programs have individually mitigated the risk of fraud, full implementation of a Department-wide fraud management framework is an iterative process as DHS continues to build upon enterprise risk management.



Source: GAO. | GAO-15-593SP

Figure 3: GAO's Fraud Risk Framework

To-date, DHS has continued its fraud risk assessment, while periodically improving our existing processes to mitigate and detect fraud risk. Specifically, DHS implementation status and accomplishments include the following:

- ***Commit:*** Leadership and all levels of the organization have committed to periodically identify, prevent, detect, and respond to fraud risks, while actively engaging the OIG to assist the Department in combatting fraud. Leadership commitment, in a holistic risk management approach, is evidenced through each of the Components entity level control evaluations where assessments are made based on tone at the top and integrity and ethical values. Currently, RM&A is leading the financial and administrative fraud risk management initiatives for the Department with strong support from Components, while engaging the enterprise risk management work group to expand communication and awareness of fraud risk programs DHS-wide.

- ***Assess:*** As part of the Department's internal control evaluation, Components are required to assess fraud risk on an annual basis to support its entity level control assessments, as prescribed within the Green Book (Principle 8, Assess Fraud Risks). The last three years, the Department and Components identified fraud risks common to payroll, grants, payments (to include large contracts), and purchase and travel cards. Each Component was required to assess the likelihood and impact of each fraud risk based on its control environment to create its financial and administrative fraud risk profile. In addition, Components were required to identify other fraud risks that are specific for their mission and include them into its fraud risk inventory for consolidation. For example, CBP included a Component-specific fraud risk relative to a lack of resources when manual fraud risk controls are overwhelmed by the volume of activity. CBP included this risk as CBP has been challenged by past surge needs which were deemed as root causes to multiple NFRs.
- ***Design and Implement:*** For each identified fraud risk, Components were required to identify control activities, leveraging work already performed through existing internal control evaluations while ensuring the mapped control activities address the fraud risk.
- ***Evaluate and Adapt:*** Once control activities were mapped or new control activities were identified, Components were required to complete test of effectiveness. The results of testing would yield a residual risk rating by fraud risk/control, which is used to inform if the controls are effectively designed to mitigate the fraud risk or additional control activities are needed. In FY 2018, the Department provided feedback on improvements. In FY 2019 DHS will continue to coordinate with Components to develop corrective action plans or implement new financial and administrative controls to reduce residual risk at an acceptable level.
- ***Monitoring and Feedback:*** The Department, under the Chief Financial Officer (CFO), monitors evaluations for administrative fraud risk conducted by each Component. In FY 2018, the Department focused its monitoring and evaluation efforts on analyzing the FY 2016 and FY 2017 baseline assessments submitted by each Component to determine control effectiveness to detect and respond to fraud risk and whether any fraud risks were pervasive Department-wide. While DHS has improved implementation of the fraud risk assessment year-over-year, opportunities still exist to better link fraud risks to controls and communicate outcomes of the fraud risk evaluation through training. In FY 2019, DHS will develop training that incorporates and matures the fraud risk assessment process for control assessors including considerations from the newly released Anti-Fraud Playbook issued by Treasury. DHS will continue to participate in the OMB Fraud Working Group and implement best practices as needed.

Data Analytics

In FY 2018, the Department conducted an assessment over use of purchase cards for disaster recovery efforts in response to Hurricanes Harvey, Irma, and Maria. Specifically, using data analysis, RM&A focused on cardholder transactions with increased micro purchase limit (MPL) thresholds during disaster periods covering August 21, 2017 through December 31, 2017, then sampled these transactions in order to verify that sampled purchases had documentation to support clear and direct relationship to disaster response and recovery efforts.

In FY 2019, DHS plans to expand the data analytic capability to strengthen its risk assessment process in areas such as payroll, charge cards, and travel to identify potential red flags, test targeted areas for potential for fraud, and develop and further matures its fraud risk management activities.

Other Initiatives
Other supporting initiatives that were completed in FY 2018 and will continue in FY 2019 include:

- *Contract award, monitoring and oversight* – Embedded within Federal Acquisition Regulations and the Homeland Security Acquisition Manual are measures to identify indicators of procurement fraud, and internal controls to prevent such fraud. OCPO monitors compliance with acquisition regulations and DHS policy across the Department, through its procurement oversight program. In addition, OCPO has an established Industry engagement and communication program, providing an external control for detecting fraud.
- *Improper Payments* – In accordance with IPERA, OMB requires programs identified as susceptible to improper payments to be tested and the root causes of improper payments include an analysis of potential for fraudulent activity. As part of reporting efforts, Components are required to report if any potential fraudulent activity occurred and refer these matters appropriately.

Reduce the Footprint

OMB issued Management Procedures Memorandum No. 2015-01, *Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint*, which superseded OMB Management Procedures Memorandum No. 2013-02, *Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint*, and required agencies to submit a five-year Real Property Efficiency Plan annually to the General Services Administration (GSA) and the Office of Management and Budget. The Memorandum designated FY 2015 as the base year for this new measurement.

In FY 2017, the Department indicated a slight increase in its Reduce the Footprint (RTF) inventory due to a location misclassification for some mission essential assets. However, from FY 2019 through FY 2023, the Department anticipates a 2.8 percent reduction from its RTF baseline of 31.1 million square feet (SF) for office and warehouse space. Within this five-year plan, DHS projects to reduce its office space by 862,000 SF and its warehouse space by 15,000 SF for a total reduction of 877,000 SF.

Currently, the Department occupies more than 101 million SF, which is comprised of 44 million SF of owned space and 57 million SF of leased space. Approximately one-third, or 31.4 million, of the Department's total SF has been identified as RTF building space.

The Department's leased portfolio has annual costs of approximately $1.8 billion in rental cost and operations and maintenance costs. As lease costs rise in densely-populated locations, the Field Efficiency Program Management Office (FE-PMO) within the Office of the Chief Readiness Support Officer is working on the relocation of DHS Components from leased to owned space where opportunities exist. This relocation will increase space utilization and reduce costs. For example, in Boston, the FE-PMO supported the relocation of the USCG First District from leased space to USCG-owned space at Base Boston to achieve an annual cost avoidance of $1.7 million in rent costs in 2017. In Seattle, the FE-PMO supported an agreement between the USCG and TSA to share a warehouse at Base Seattle, achieving an annual savings of $50,000 in rent costs. In FY 2018 and FY 2019, the FE-PMO and Components will closely coordinate to leverage opportunities for reducing real property costs. This coordination will help ensure relocation efforts are planned and executed in a more efficient way.

Table 7: Reduce the Footprint Baseline Comparison (square feet)

	RTF Baseline	FY 2017 Actual	Change (FY 2015 Baseline to FY 2017)
TOTAL	31,135,962	31,445,160	309,196

Table 8: Reporting of O&M Building Costs

($ in millions)

	FY 2016 Actual Costs	FY 2017 Projected Costs	Projected Change in Costs
Operations and Maintenance Costs	$85	$87	+2

Between the end of FY 2019 and the end of FY 2023, the Department expects total O&M costs to decrease as we work toward our target square footage reductions under RTF.

Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect.

The following represents the Department's civil monetary penalties, all of which were last updated via regulation in 2018. Additional information about these penalties and the latest adjustment is available in the Federal Register Volume 83, No. 63.

Table 9: Civil Monetary Penalties

Penalty	Authority	Year Enacted	Adjusted New Penalty
CBP			
Non-compliance with arrival and departure manifest requirements for passengers, crew members, or occupants transported on commercial vessels or aircraft arriving to or departing from the United States	8 USC 1221(g); INA Section 231(g); 8 CFR 280.53(c)(1)	2002	$1,360
Non-compliance with landing requirements at designated ports of entry for aircraft transporting aliens	8 USC 1224; INA Section 234; 8 CFR 280.53(c)(2)	1990	$3,695
Violations of removal orders relating to aliens transported on vessels or aircraft under section 241(d) of the INA, or for costs associated with removal under section 241(e) of the INA	8 USC 1253(c)(1)(A); INA Section 243(c)(1)(A); 8 CFR 280.53(c)(4)	1996	$3,116
Failure to remove alien stowaways under section 241(d)(2) of the INA	8 USC 1253(c)(1)(B); INA Section 243(c)(1)(B); 8 CFR 280.53(c)(5)	1996	$7,791
Failure to report an illegal landing or desertion of alien crewmen, and for each alien not reported on arrival or departure manifest or lists required in accordance with section 251 of the USC (for each alien)	8 USC 1281(d); INA Section 251(d); 8 CFR 280.53(c)(6)	1990	$369
Use of alien crewmen for longshore work in violation of section 251(d) of the INA	8 USC 1281(d); INA Section 251(d); 8 CFR 280.53(c)(6)	1990	$9,239
Failure to control, detain, or remove alien crewmen	8 USC 1284(a); INA Section 254(a); 8 CFR 280.53(c)(7)	1990	Minimum $924 Maximum $5,543
Employment on passenger vessels of aliens afflicted with certain disabilities	8 USC 1285; INA Section 255; 8 CFR 280.53(c)(8)	1990	$1,848

Penalty	Authority	Year Enacted	Adjusted New Penalty
Discharge of alien crewmen	8 USC 1286; INA Section 256; 8 CFR 280.53(c)(9)	1990	Minimum $2,771 Maximum $5,543
Bringing into the United States alien crewmen with intent to evade immigration laws	8 USC 1287; INA Section 257; 8 CFR 280.53(c)(10)	1990	$18,477
Failure to prevent the unauthorized landing of aliens	8 USC § 1321(a); INA Section 271(a); 8 CFR 280.53(c)(11)	1990	$5,543
Bringing to the United States aliens subject to denial of admission on a health-related ground	8 USC § 1322(a); INA Section 272(a); 8 CFR 280.53(c)(12)	1990	$5,543
Bringing to the United States aliens without required documentation	8 USC § 1323(b); INA Section 273(b); 8 CFR 280.53(c)(13)	1990	$5,543
Improper entry	8 USC § 1325(b) INA Section 275(b); 8 CFR 280.53(c)(15)	1996	Minimum $78 Maximum $390
Dealing in or using empty stamped imported liquor containers	19 USC 469	1879	$518
Transporting passengers between coastwise points in the United States by a non-coastwise qualified vessel	46 USC 55103(b); 19 CFR 4.80(b)(2	1898	$778
Towing a vessel between coastwise points in the United States by a non-coastwise qualified vessel	46 USC 55111(c); 19 CFR 4.92	1940	Minimum $907 Maximum $2,852 plus $155 per ton
ICE			
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(1)–(a)(4) (First offense)	8 CFR 270.3(b)(1)(ii)(A)	1990	Minimum $461 Maximum $3,695
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(5)–(a)(6) (First offense)	8 CFR 270.3(b)(1)(ii)(B)	1996	Minimum $390 Maximum $3,116
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(1)–(a)(4) (Subsequent offenses)	8 CFR 270.3(b)(1)(ii)(C)	1990	Minimum $3,695 Maximum $9,239
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(5)–(a)(6) (Subsequent offenses)	8 CFR 270.3(b)(1)(ii)(D)	1996	Minimum $3,116 Maximum $7,791
Violation/prohibition of indemnity bonds	8 CFR 274a.8(b)	1986	$2,236

Penalty	Authority	Year Enacted	Adjusted New Penalty
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (First offense)	8 CFR 274a.10(b)(1)(ii)(A)	1986	Minimum $559 Maximum $4,473
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (Second offense)	8 CFR 274a.10(b)(1)(ii)(B)	1986	Minimum $4,473 Maximum $11,181
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (Subsequent offenses)	8 CFR 274a.10(b)(1)(ii)(C)	1986	Minimum $6,709 Maximum $22,363
I–9 paperwork violations	8 CFR 274a.10(b)(2)	1986	Minimum $224 Maximum $2,236
Failure to depart voluntarily	8 USC 1229c(d); INA Section 240B(d); 8 CFR 280.53(c)(3)	1996	Minimum $1,558 Maximum $7,791
Failure to depart	8 USC 1324(d); INA Section 274D; 8 CFR 280.53(c)(14)	1996	$779
NPPD			
Non-compliance with CFATS regulations	6 USC 624(b)(1); 6 CFR 27.300(b)(3)	2002	$34,013
TSA			
Certain aviation related violations by an individual or small business concern (49 CFR Ch. XII § 1503.401(c)(1))	49 USC 46301(a)(1), (4)	2003	$13,333 (up to a total of $66,666 per civil penalty action)
Certain aviation related violations by any other person not operating an aircraft for the transportation of passengers or property for compensation (49 CFR Ch. XII § 1503.401(c)(2))	49 USC 46301(a)(1), (4)	2003	$13,333 (up to a total of $533,324 per civil penalty action)
Certain aviation related violations by a person operating an aircraft for the transportation of passengers or property for compensation (49 CFR Ch. XII § 1503.401(c)(3))	49 USC 46301(a)(1), (4)	2003	$33,333 (up to a total of $533,324 per civil penalty action)
Violation of any other provision of title 49 USC or of 46 USC Ch. 701, or a regulation prescribed, or order issued under thereunder (49 CFR Ch. XII § 1503.401(b))	49 USC 114(v)(2)	2009	$11,410 (up to a total of $57,051 for individuals and small businesses, $456,409 for others)

Penalty	Authority	Year Enacted	Adjusted New Penalty
USCG			
Saving Life and Property	14 USC 88(c)	2014	$10,389
Saving Life and Property (Intentional Interference with Broadcast)	14 USC 88(e)	2012	$1,066
Confidentiality of Medical Quality Assurance Records (first offense)	14 USC 645(i)	1992	$5,218
Confidentiality of Medical Quality Assurance Records (subsequent offenses)	14 USC 645(i)	1992	$34,791
Aquatic Nuisance Species in Waters of the United States	16 USC 4711(g)(1)	1996	$38,954
Obstruction of Revenue Officers by Masters of Vessels	19 USC 70	1935	$7,779
Obstruction of Revenue Officers by Masters of Vessels—Minimum Penalty	19 USC 70	1935	$1,815
Failure to Stop Vessel When Directed; Master, Owner, Operator or Person in Charge	19 USC 1581(d)	1930	$5,000
Failure to Stop Vessel When Directed; Master, Owner, Operator or Person in Charge - Minimum Penalty	19 USC 1581(d)	1930	$1,000
Anchorage Ground/Harbor Regulations General	33 USC 471	2010	$11,279
Anchorage Ground/Harbor Regulations St. Mary's River	33 USC 474	1946	$778
Bridges/Failure to Comply with Regulations	33 USC 495(b)	2008	$28,474
Bridges/Drawbridges	33 USC 499(c)	2008	$28,474
Bridges/Failure to Alter Bridge Obstructing Navigation	33 USC 502(c)	2008	$28,474
Bridges/Maintenance and Operation	33 USC 533(b)	2008	$28,474
Bridge to Bridge Communication; Master, Person in Charge or Pilot	33 USC 1208(a)	1971	$2,074
Bridge to Bridge Communication; Vessel	33 USC 1208(b)	1971	$2,074
PWSA Regulations	33 USC 1232(a)	1978	$91,901
Vessel Navigation: Regattas or Marine Parades; Unlicensed Person in Charge	33 USC 1236(b)	1990	$9,239
Vessel Navigation: Regattas or Marine Parades; Owner Onboard Vessel	33 USC 1236(c)	1990	$9,239
Vessel Navigation: Regattas or Marine Parades; Other Persons	33 USC 1236(d)	1990	$4,619
Oil/Hazardous Substances: Discharges (Class I per violation)	33 USC 1321(b)(6)(B)(i)	1990	$18,477

Penalty	Authority	Year Enacted	Adjusted New Penalty
Oil/Hazardous Substances: Discharges (Class I total under paragraph)	33 USC 1321(b)(6)(B)(i)	1990	$46,192
Oil/Hazardous Substances: Discharges (Class II per day of violation)	33 USC 1321(b)(6)(B)(ii)	1990	$18,477
Oil/Hazardous Substances: Discharges (Class II total under paragraph)	33 USC 1321(b)(6)(B)(ii)	1990	$230,958
Oil/Hazardous Substances: Discharges (per day of violation) Judicial Assessment	33 USC 1321(b)(7)(A)	1990	$46,192
Oil/Hazardous Substances: Discharges (per barrel of oil or unit discharged) Judicial Assessment	33 USC 1321(b)(7)(A)	1990	$1,848
Oil/Hazardous Substances: Failure to Carry Out Removal/Comply With Order (Judicial Assessment)	33 USC 1321(b)(7)(B)	1990	$46,192
Oil/Hazardous Substances: Failure to Comply with Regulation Issued Under 1321(j) (Judicial Assessment)	33 USC 1321(b)(7)(C)	1990	$46,192
Oil/Hazardous Substances: Discharges, Gross Negligence (per barrel of oil or unit discharged) Judicial Assessment	33 USC 1321(b)(7)(D)	1990	$5,543
Oil/Hazardous Substances: Discharges, Gross Negligence—Minimum Penalty (Judicial Assessment)	33 USC 1321(b)(7)(D)	1990	$184,767
Marine Sanitation Devices; Operating	33 USC 1322(j)	1972	$7,779
Marine Sanitation Devices; Sale or Manufacture	33 USC 1322(j)	1972	$20,742
International Navigation Rules; Operator	33 USC 1608(a)	1980	$14,543
International Navigation Rules; Vessel	33 USC 1608(b)	1980	$14,543
Pollution from Ships; General	33 USC 1908(b)(1)	1980	$72,718
Pollution from Ships; False Statement	33 USC 1908(b)(2)	1980	$14,543
Inland Navigation Rules; Operator	33 USC 2072(a)	1980	$14,543
Inland Navigation Rules; Vessel	33 USC 2072(b)	1980	$14,543
Shore Protection; General	33 USC 2609(a)	1988	$51,302
Shore Protection; Operating Without Permit	33 USC 2609(b)	1988	$20,521
Oil Pollution Liability and Compensation	33 USC 2716a(a)	1990	$46,192
Clean Hulls; Civil Enforcement	33 USC 3852(a)(1)(A)	2010	$42,292

Penalty	Authority	Year Enacted	Adjusted New Penalty
Clean Hulls; False statements	33 USC 3852(a)(1)(A)	2010	$56,391
Clean Hulls; Recreational Vessel	33 USC3852(c)	2010	$5,639
Hazardous Substances, Releases Liability, Compensation (Class I)	42 USC 9609(a)	1986	$55,907
Hazardous Substances, Releases Liability, Compensation (Class II)	42 USC 9609(b)	1986	$55,907
Hazardous Substances, Releases Liability, Compensation (Class II subsequent offense)	42 USC 9609(b)	1986	$167,722
Hazardous Substances, Releases, Liability, Compensation (Judicial Assessment)	42 USC 9609(c)	1986	$55,907
Hazardous Substances, Releases, Liability, Compensation (Judicial Assessment subsequent offense)	42 USC 9609(c)	1986	$167,722
Safe Containers for International Cargo	46 USC 80509(a)	2006	$6,111
Suspension of Passenger Service	46 USC 70305(c)	2006	$61,115
Vessel Inspection or Examination Fees	46 USC 2110(e)	1990	$9,239
Alcohol and Dangerous Drug Testing	46 USC 2115	1998	$7,520
Negligent Operations: Recreational Vessels	46 USC 2302(a)	2002	$6,802
Negligent Operations: Other Vessels	46 USC 2302(a)	2002	$34,013
Operating a Vessel While Under the Influence of Alcohol or a Dangerous Drug	46 USC 2302(c)(1)	1998	$7,520
Vessel Reporting Requirements: Owner, Charterer, Managing Operator, or Agent	46 USC 2306(a)(4)	1984	$11,712
Vessel Reporting Requirements: Master	46 USC 2306(b)(2)	1984	$2,343
Immersion Suits	46 USC 3102(c)(1)	1984	$11,712
Inspection Permit	46 USC 3302(i)(5)	1983	$2,443
Vessel Inspection; General	46 USC 3318(a)	1984	$11,712
Vessel Inspection; Nautical School Vessel	46 USC 3318(g)	1984	$11,712
Vessel Inspection; Failure to Give Notice IAW 3304(b)	46 USC 3318(h)	1984	$2,343
Vessel Inspection; Failure to Give Notice IAW 3309 (c)	46 USC 3318(i)	1984	$2,343
Vessel Inspection; Vessel ≥ 1600 Gross Tons	46 USC 3318(j)(1)	1984	$23,426
Vessel Inspection; Vessel <1600 Gross Tons	46 USC 3318(j)(1)	1984	$4,685

Penalty	Authority	Year Enacted	Adjusted New Penalty
Vessel Inspection; Failure to Comply with 3311(b)	46 USC 3318(k)	1984	$23,426
Vessel Inspection; Violation of 3318(b)- 3318(f)	46 USC 3318(l)	1984	$11,712
List/count of Passengers	46 USC 3502(e)	1983	$244
Notification to Passengers	46 USC 3504(c)	1983	$24,421
Notification to Passengers; Sale of Tickets	46 USC 3504(c)	1983	$1,220
Copies of Laws on Passenger Vessels; Master	46 USC 3506	1983	$489
Liquid Bulk/Dangerous Cargo	46 USC 3718(a)(1)	1983	$61,055
Uninspected Vessels	46 USC 4106	1988	$10,260
Recreational Vessels (maximum for related series of violations)	46 USC 4311(b)(1)	2004	$323,027
Recreational Vessels; Violation of 4307(a)	46 USC 4311(b)(1)	2004	$6,460
Recreational Vessels	46 USC 4311(c)	1983	$2,443
Uninspected Commercial Fishing Industry Vessels	46 USC 4507	1988	$10,260
Abandonment of Barges	46 USC 4703	1992	$1,739
Load Lines	46 USC 5116(a)	1986	$11,181
Load Lines; Violation of 5112(a)	46 USC 5116(b)	1986	$22,363
Load Lines; Violation of 5112(b)	46 USC 5116(c)	1986	$11,181
Reporting Marine Casualties	46 USC 6103(a)	1996	$38,954
Reporting Marine Casualties; Violation of 6104	46 USC 6103(b)	1988	$10,260
Manning of Inspected Vessels; Failure to Report Deficiency in Vessel Complement	46 USC 8101(e)	1990	$1,848
Manning of Inspected Vessels	46 USC 8101(f)	1990	$18,477
Manning of Inspected Vessels; Employing or Serving in Capacity not Licensed by USCG	46 USC 8101(g)	1990	$18,477
Manning of Inspected Vessels; Freight Vessel <100 GT, Small Passenger Vessel, or Sailing School Vessel	46 USC 8101(h)	1983	$2,443
Watchmen on Passenger Vessels	46 USC 8102(a)	1983	$2,443
Citizenship Requirements	46 USC 8103(f)	1983	$1,220
Watches on Vessels; Violation of 8104(a) or (b)	46 USC 8104(i)	1990	$18,477
Watches on Vessels; Violation of 8104(c), (d), (e), or (h)	46 USC 8104(j)	1990	$18,477
Staff Department on Vessels	46 USC 8302(e)	1983	$244
Officer's Competency Certificates	46 USC 8304(d)	1983	$244

Penalty	Authority	Year Enacted	Adjusted New Penalty
Coastwise Pilotage; Owner, Charterer, Managing Operator, Agent, Master or Individual in Charge	46 USC 8502(e)	1990	$18,477
Coastwise Pilotage; Individual	46 USC 8502(f)	1990	$18,477
Federal Pilots	46 USC 8503	1984	$58,562
Merchant Mariners Documents	46 USC 8701(d)	1983	$1,220
Crew Requirements	46 USC 8702(e)	1990	$18,477
Small Vessel Manning	46 USC 8906	1996	$38,954
Pilotage: Great Lakes; Owner, Charterer, Managing Operator, Agent, Master or Individual in Charge	46 USC 9308(a)	1990	$18,477
Pilotage: Great Lakes; Individual	46 USC 9308(b)	1990	$18,477
Pilotage: Great Lakes; Violation of 9303	46 USC 9308(c)	1990	$18,447
Failure to Report Sexual Offense	46 USC 10104(b)	1989	$9,819
Pay Advances to Seamen	46 USC 10314(a)(2)	1983	$1,220
Pay Advances to Seamen; Remuneration for Employment	46 USC 10314(b)	1983	$1,220
Allotment to Seamen	46 USC 10315(c)	1983	$1,220
Seamen Protection; General	46 USC 10321	1993	$8,465
Coastwise Voyages: Advances	46 USC 10505(a)(2)	1993	$8,465
Coastwise Voyages: Advances; Remuneration for Employment	46 USC 10505(b)	1993	$8,465
Coastwise Voyages: Seamen Protection; General	46 USC 10508(b)	1993	$8,465
Effects of Deceased Seamen	46 USC 10711	1983	$489
Complaints of Unfitness	46 USC 10902(a)(2)	1983	$1,220
Proceedings on Examination of Vessel	46 USC 10903(d)	1983	$244
Permission to Make Complaint	46 USC 10907(b)	1983	$1,220
Accommodations for Seamen	46 USC 11101(f)	1983	$1,220
Medicine Chests on Vessels	46 USC 11102(b)	1983	$1,220
Destitute Seamen	46 USC 11104(b)	1983	$244
Wages on Discharge	46 USC 11105(c)	1983	$1,220
Log Books; Master Failing to Maintain	46 USC 11303(a)	1983	$489
Log Books; Master Failing to Make Entry	46 USC 11303(b)	1983	$489
Log Books; Late Entry	46 USC 11303(c)	1983	$366
Carrying of Sheath Knives	46 USC 11506	1983	$122
Documentation of Vessels	46 USC 12151(a)(1)	2012	$15,995
Documentation of Vessels; Activities involving mobile offshore drilling units	46 USC 12151(a)(2)	2012	$26,659
Engaging in Fishing After Falsifying Eligibility (fine per day)	46 USC 12151(c)	2006	$122,231

Penalty	Authority	Year Enacted	Adjusted New Penalty
Numbering of Undocumented Vessel; Willful violation	46 USC 12309(a)	1983	$12,211
Numbering of Undocumented Vessels	46 USC 12309(b)	1983	$2,443
Vessel Identification System	46 USC 12507(b)	1988	$20,521
Measurement of Vessels	46 USC 14701	1986	$44,727
Measurement; False Statements	46 USC 14702	1986	$44,727
Commercial Instruments and Maritime Liens	46 USC 31309	1988	$20,521
Commercial Instruments and Maritime Liens; Mortgagor	46 USC 31330(a)(2)	1988	$20,521
Commercial Instruments and Maritime Liens; Violation of 31329	46 USC 31330(b)(2)	1988	$51,302
Port Security	46 USC 70119(a)	2002	$34,013
Port Security; Continuing Violations	46 USC 70119(b)	2006	$61,115
Maritime Drug Law Enforcement; Penalties	46 USC 70506(c)	2010	$5,639
Hazardous Materials: Related to Vessels	49 USC 5123(a)(1)	2012	$79,976
Hazardous Materials: Related to Vessels; Penalty from Fatalities, Serious Injuries/Illness or substantial Damage to Property	49 USC 5123(a)(2)	2012	$186,610
Hazardous Materials: Related to Vessels; Training	49 USC 5123(a)(3)	2012	$481

Grants Oversight & New Efficiency (GONE) Act

Enacted on January 28, 2016, the GONE Act requires each agency to submit to Congress a report on Federal grant and cooperative agreement awards which have not yet been closed and for which the period of period of performance, including any extensions, elapsed for more than two years. The following table includes DHS open grants and cooperative agreements whose period of performance ended on or before September 30, 2015.

Table 10: Grants/Cooperative Agreements Summary Status

CATEGORY	2 3Years	3 5 Years	> 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	0	2	0
Number of Grants/Cooperative Agreements with Undisbursed Balances	61	8	2
Total Amount of Undisbursed Balances	$62,910,572	$1,947,814	$36,010

DHS awards approximately $10 billion annually in grants and cooperative agreements through eight DHS financial assistance awarding offices. The awarding offices include the Federal Emergency Management Agency (FEMA), U.S. Coast Guard, Countering Weapons of Mass Destruction (CWMD) Office, U.S. Immigration and Customs Enforcement, National Protection & Programs Directorate, Science and Technology, and U.S. Citizenship and Immigration Services. FEMA awards ninety-eight percent of DHS grants and cooperative agreements.

DHS awarding offices use disparate grant management systems, and this has created a multitude of challenges in closing grant awards and cooperative agreements on a timely basis. DHS has made tremendous progress in FY 2018 to institute consistent policies, procedures and processes used to award and close grants. FEMA continues to simplify and coordinate business management and oversight approaches for its grant programs with the Grant Management Modernization (GMM) effort.

DHS is providing centralized oversight and training on grants management processes. These improved processes and an integrated systems environment have supported the close out of grants and cooperative agreements in a timely manner. With a concerted focus, DHS has closed 92% of the grants reported as open in the FY 2017 AFR, while reducing the undisbursed balance by $52M.

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[1] The Countering Weapons of Mass Destruction (CWMD) Office was created in December 2017 to elevate and streamline DHS efforts to prevent terrorists and other national security threat actors from using harmful agents, such as chemical, biological, radiological, and nuclear material and devices, to harm Americans and U.S. interests. The CWMD Office consolidated the Domestic Nuclear Detection Office (DNDO), a majority of the Office of Health Affairs (OHA), and elements of the Office of Strategy, Plans, & Policy. For AFR presentation purposes, all prior and current year references to DNDO, OHA, Office of Strategy, Plans, & Policy have been replaced with CWMD

Other Key Regulatory Requirements

Prompt Payment Act

The *Prompt Payment Act* requires federal agencies to make timely payments (within 30 days of receipt of invoice) to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts only when they are economically justified. The Department's Components submit Prompt Payment data as part of data gathered for the OMB CFO Council's Metric Tracking System (MTS). Periodic reviews are conducted by the DHS Components to identify potential problems. Interest penalties as a percentage of the dollar amount of invoices subject to the Prompt Payment Act have been measured between 0.0016 percent and 0.0075 percent for the period of October 2017 through September 2018, with an annual average of 0.004 percent.
(Note: MTS statistics are reported with at least a six-week lag).

Debt Collection Improvement Act

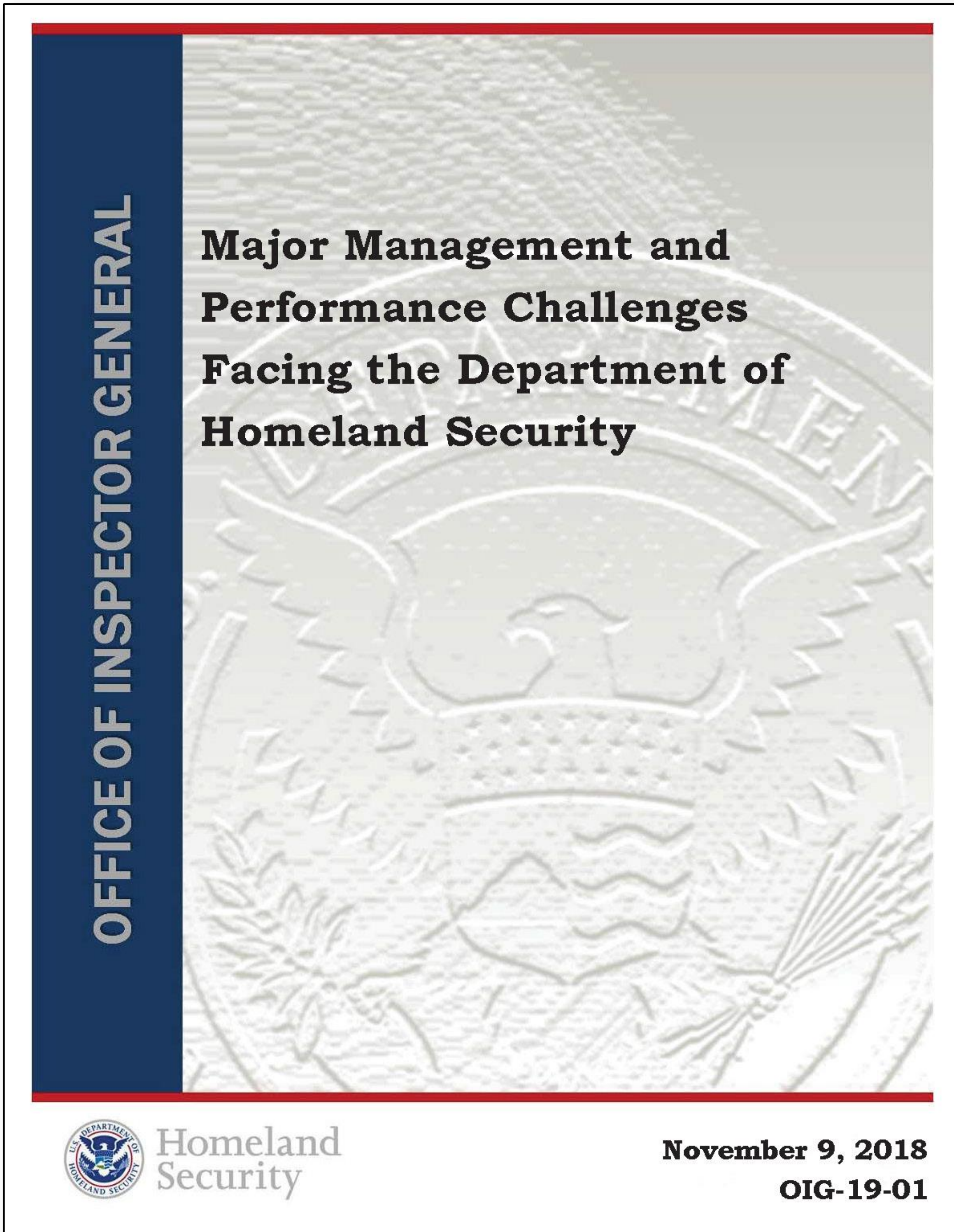
In compliance with the *Debt Collection Improvement Act of 1996* (DCIA), the Department manages its debt collection activities under the DHS DCIA regulation. The regulation is implemented under the Department's comprehensive debt collection policies that provide guidance to the Components on the administrative collection of debt; referring non-taxable debt; writing off non-taxable debt; reporting debts to consumer reporting agencies; assessing interest, penalties and administrative costs; and reporting receivables to the Treasury. The *Digital Accountability and Transparency Act* of 2014 was passed in May 2014 and updated DCIA requirements for referring non-taxable debt.

Biennial User Charges Review

The Chief Financial Officers Act of 1990 and OMB Circular A-25 Revised, User Charges, requires each agency CFO to review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and items of value provided to specific recipients, beyond those received by the general public. The purpose of this review is to periodically adjust existing charges to 1) reflect unanticipated changes in costs or market values, and 2) to review all other agency programs to determine whether fees should be assessed for Government services or the use of Government goods or services. Based on our review, we identified adjustments for fees to achieve full-cost recovery.

In FY 2018, the Department approved updates to the Financial Management Policy Manual for Biennial Fee Reviews (BFR), Unobligated Carryover Balances, and Cost Recovery. The Department, in coordination with the Fee Governance Council, initiated and completed a department-wide BFR. The Fee Governance Council, which was created to establish a governance and a centralized oversight structure for fees programs across the Department, will review the results, take necessary follow-on steps, and make recommendations to the components on what steps can be taken to achieve full cost recovery or improve fee collections.

Office of Inspector General's Report on Major Management and Performance Challenges Facing the Department of Homeland Security


OFFICE OF INSPECTOR GENERAL

Major Management and Performance Challenges Facing the Department of Homeland Security

Homeland Security

November 9, 2018

OIG-19-01

OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

November 9, 2018

MEMORANDUM FOR: The Honorable Kirstjen M. Nielsen
Secretary
Department of Homeland Security

FROM: John V. Kelly
Senior Official Performing the
Duties of the Inspector General

SUBJECT: *Major Management and Performance Challenges Facing the Department of Homeland Security*

For your information is our annual report, *Major Management and Performance Challenges Facing the Department of Homeland Security*. Pursuant to the *Reports Consolidation Act of 2000*, the Office of Inspector General is required to issue a statement that summarizes what the Inspector General considers to be the most serious management and performance challenges facing the agency and briefly assess the agency's progress in addressing those challenges. This requirement is consistent with our duties under the *Inspector General Act* to conduct audits, as well as provide leadership and recommend policies to promote economy, efficiency, and effectiveness in Department of Homeland Security programs and operations.

We acknowledge past and ongoing efforts by Department's senior leadership to address the challenges identified in this report. At the same time, our aim in this report is two-fold — to identify areas that need continuing focus and improvement and to point out instances in which senior leadership's goals and objectives are not executed throughout the Department. Therefore, we highlight persistent management and performance challenges that hamper the Department's efforts to accomplish the homeland security mission efficiently and effectively. The Department continues to strive to act as a single, focused organization while establishing strong internal controls and incorporating management fundamentals. DHS also faces challenges with overseeing and managing critical aspects of the homeland security mission, as well as acquisitions and cybersecurity.

Overcoming these management and performance challenges demands unified action. The Department has taken steps to achieve this unity, such as starting an Immigration Data Integration Initiative and establishing a requirements process that moves from program-specific requirements to those focused on broader capabilities. However, the challenge persists. A lack of coordination and harmony can negatively affect all aspects of DHS' programs and operations

— planning, acquisition, budgeting, and execution. To efficiently and effectively fulfill its vital mission of protecting and securing our Nation, the Department must work cohesively.

Unified Effort, Internal Controls, and Management Fundamentals

Since its creation 15 years ago, DHS' overriding and continuing challenge remains building a single, cohesive, and effective organization greater than the sum of its parts — the very reason it was established. Reaching this goal demands effective collaboration and integration of a wide array of component management functions, programs, and operations, all aimed at accomplishing a multi-faceted homeland security mission. The Department has not yet demonstrated it can take a unified approach, while implementing effective internal controls and incorporating management fundamentals in programs and operations across components. The current environment of relatively weak internal controls and management fundamentals affects all aspects of the Department's mission, from border protection and immigration enforcement to protection against terrorist attacks and natural disasters.

Our recent work offers examples of the Department's challenges effectively overseeing and managing programs and operations through careful planning; gathering complete and reliable data for informed decision making; implementing and enforcing clear and consistent policies, procedures, and practices; and establishing meaningful performance measures for future improvement.

Lack of Planning

In a review of U.S. Immigration and Customs Enforcement's (ICE) 287(g) program, ICE approved 40 additional applicants without planning for a corresponding increase in program management staffing, determining how to promptly deliver needed information technology (IT) equipment to participants, or ensuring participants are fully trained. Specifically, ICE did not analyze program needs to determine how many additional 287(g) program managers should be hired and was not able to hire enough to keep up with the quick expansion. Approving all new participants without adequate planning has hindered ICE's oversight and management of the 287(g) program and may be affecting participating agencies' ability to assist ICE in enforcing immigration laws and identifying removable aliens.[1]

Following our investigation of U.S. Customs and Border Protection's (CBP) implementation of the January 2017 Executive Order 13769, *Protecting the Nation from Foreign Terrorist Entry into the United States* (EO), we determined

[1] *Lack of Planning Hinders Effective Oversight and Management of ICE's Expanding 287(g) Program* (OIG-18-77)

that CBP was caught by surprise when the President issued the EO.[2] DHS had little opportunity to prepare for and respond to basic questions about the categories of affected travelers. We also observed that the lack of a public or congressional relations strategy significantly hampered CBP and harmed its public image.

Incomplete and Unreliable Data

As noted in an audit of the Department's controls over firearms and other sensitive assets, the Department did not have complete and accurate property management data for effective oversight and informed decision making. Those responsible for managing the Department's sensitive assets must know the total number across all components. Yet, the system used to manage these assets did not contain complete and accurate information. Without Department oversight and policy improvements, highly sensitive assets will continue to be subject to loss or theft and the safety of the general public will be at risk.[3]

The *Digital Accountability and Transparency Act of 2014* requires DHS to submit complete, accurate, and timely spending data to the Department of the Treasury for publication on USASpending.gov. Although DHS met the Act's mandated submission deadline, we identified issues with the completeness and accuracy of its first data submission, which hindered the quality and usefulness of the information. DHS has improved its data reconciliation procedures since making its first quarterly submission to Treasury and should continue to reconcile misalignments, identify errors and unacceptable timing differences, and develop or adjust existing internal controls to improve the overall quality of its data.[4]

Based on our observations in the field, we determined that DHS was not fully prepared to implement the Administration's Zero Tolerance Policy or to deal with some of its after-effects.[5] Among other challenges, DHS had difficulty identifying, tracking, and reunifying families separated under the Zero Tolerance Policy due to limitations with IT systems, including a lack of integration among ICE's, CBP's, and Department of Health and Human Services' systems. DHS struggled to provide accurate, complete, reliable data on family separations and reunifications, raising concerns about the accuracy of its reporting.

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[2] *DHS Implementation of Executive Order #13769 "Protecting the Nation From Foreign Terrorist Entry Into the United States"* (OIG-18-37)
[3] *DHS' Controls Over Firearms and Other Sensitive Assets* (OIG-18-05)
[4] *DHS' Implementation of the DATA Act* (OIG-18-34)
[5] *Special Review - Initial Observations Regarding Family Separation Issues Under the Zero Tolerance Policy* (OIG-18-84)

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Unclear and Unenforced Policies, Procedures, and Practices

Following our department-wide review of conduct and discipline, we concluded that DHS' support components do not have sufficient processes and procedures to address misconduct.[6] These deficiencies exist because no single office or entity is responsible for managing and overseeing misconduct issues across support components. Without comprehensive department-wide procedures, DHS cannot ensure the components address allegations properly or administer disciplinary actions consistently.

At four of five ICE detention facilities inspected, OIG identified issues that raised concerns about management's failure to ensure the contracted facilities complied with policies and procedures in detention standards. For example, some detainees were housed incorrectly based on their criminal history; others were strip searched in violation of standards; and staff did not always use available language services to facilitate communication with detainees. Some facility staff reportedly deterred detainees from filing grievances and did not thoroughly document resolution of grievances. The problems we identified undermine the protection of detainees' rights, their humane treatment, and the provision of a safe and healthy environment.[7]

After reviewing ICE's two types of inspections for detention facilities, we reported that one type of inspection does not fully examine actual conditions or identify all deficiencies and the other type is too infrequent to ensure facilities correct all deficiencies. Moreover, ICE does not adequately follow up on identified deficiencies or consistently hold facilities accountable for correcting them, which further diminishes the usefulness of the inspections.[8]

In our special review of DHS' implementation of the Zero Tolerance Policy, we observed that, faced with resource limitations and other challenges, DHS regulated the number of asylum-seekers entering the country through ports of entry at the same time that it encouraged asylum-seekers to come to the ports, which may have caused more illegal border crossings.

Inadequate Performance Measures

During our assessment of the Federal Air Marshal Service's (FAMS) contributions to the Transportation Security Administration's layered approach to security, we determined that FAMS lacked performance measures for 24 strategic initiatives and most ground-based activities outlined in its strategic plan. Additionally, performance measures for FAMS' Visible Intermodal

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[6] *DHS Support Components Do Not Have Sufficient Processes and Procedures to Address Misconduct* (OIG-18-81)
[7] *Concerns about ICE Detainee Treatment and Care at Detention Facilities* (OIG-18-32)
[8] *ICE's Inspections and Monitoring of Detention Facilities Do Not Lead to Sustained Compliance or Systemic Improvements*, (OIG-18-67)

Prevention and Response Team operations failed to determine their effectiveness. FAMS could not provide a budget breakout by division or operational area. Without effective performance measures or detailed accounting of funds, FAMS cannot ensure it is maximizing its resources to address its highest risks and cannot measure the value of its investments in its ground-based activities.[9]

In automating naturalization benefits delivery, U.S. Citizenship and Immigration Services (USCIS) lacked performance measures to assess whether its IT system was achieving the expected outcomes to improve efficiency, accuracy, and security in benefits delivery.[10] Existing performance measures were neither clear nor focused. Although USCIS collected a number of metrics to monitor system performance, it did not monitor the operational impact or quality of automated benefits processing. For example, it could not measure whether it had achieved targets for reducing adjudication time and the use of paper to process immigration benefits. In response to our recommendation, USCIS provided evidence that it had defined qualitative and quantitative metrics for each program goal.

DHS' Efforts to Strengthen Internal Controls

Recognizing that the U.S. Government Accountability Office (GAO) and OIG continue to identify internal control issues that profoundly affect reporting of accurate, reliable financial and programmatic information, the Department has taken steps to strengthen its internal controls. For example, DHS has established an internal control reporting structure, which allows the Secretary to report and provide reasonable assurance on the effectiveness of the Department's system of internal controls. DHS and its components also continue to establish, monitor, and implement corrective actions to eliminate weaknesses related to IT controls and financial reporting. Many components have implemented plans to assess the effectiveness of operational internal controls through inspections, evaluations, and desk audits. Finally, in FY 2018, among other actions, DHS updated its risk profile and developed an operational risk register at each component.

Oversight and Management of the Homeland Security Mission

Our recent reviews illustrate how critical it is for the Department to effectively oversee and manage various aspects of the homeland security mission, including disaster assistance, border protection, transportation security, and immigration enforcement. Specifically, the Department has had difficulty overseeing disaster assistance grants and grantees, as well as managing the National Flood Insurance Program. DHS also faces challenges safeguarding

[9] *FAMS Needs to Demonstrate How Ground-Based Assignments Contribute to TSA's Mission* (OIG-18-70)
[10] *USCIS Has Been Unsuccessful in Automating Naturalization Benefits Delivery*, (OIG-18-23)

controlled areas and systems, protecting our borders against illegal entry of contraband, efficiently screening international travelers, and ensuring applicants for immigration benefits are both protected and meet requirements. These challenges also touch on tangential issues, such as the opioid crisis and public health.

Disaster Assistance

Recent hurricanes, wildfires, and other events highlight the Federal Emergency Management Agency's (FEMA) challenges responding to natural and manmade disasters — in both immediate response and long-term recovery efforts. FEMA continues to face systemic challenges managing its disaster assistance grant programs. On average, FEMA awards about $10 billion each year in disaster assistance grants and preparedness grants. The 2017 hurricane season was the costliest in U.S. history. Three major hurricanes — Harvey, Irma, and Maria — made landfall in 4 weeks during August and September 2017. During this timeframe, the President declared seven major California disasters eligible for FEMA Public Assistance Program funding. As historic and unprecedented disasters continue to strike, the Department and FEMA must address significant challenges, which, unmitigated, will continue to delay recovery efforts and put billions of dollars of Federal funds at risk.

We issued a special report to FEMA leadership regarding the potential procurement challenges that would likely arise during the recovery phases of Hurricanes Harvey, Irma, and Maria — with damage estimates in excess of $300 billion.[11] We reported that the massive scale of damage and the large number of high dollar contracts that grantees and subgrantees would likely award translated to a significant risk that taxpayer monies might be spent on ineligible costs.

In a recent management alert, we reported that FEMA's guidance for post-disaster debris monitoring still lacks sufficient information to ensure adequate oversight.[12] In response to a 2011 DHS OIG report, FEMA released additional criteria for debris estimating and monitoring to enhance the overall effectiveness of debris operations. However, in January 2016, FEMA issued its *Public Assistance Program and Policy Guide*, which superseded selected Public Assistance Program guidance, including guidance for debris operations. The guide eliminates Federal and state monitoring responsibilities for debris operations and relies solely on subrecipients to monitor debris removal operations. Although local officials said contractors monitor debris removal as required, FEMA, State, and subrecipients provided limited or no contractor oversight, and contractor employees lacked adequate training for monitoring.

[11] *Lessons Learned from Prior Reports on Disaster-related Procurement and Contracting* (OIG-18-29)
[12] *Management Alert – Observations of FEMA's Debris Monitoring Efforts for Hurricane Irma* (OIG-18-85)

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Without adequate guidance and oversight of debris removal by FEMA, State officials, and subrecipients, there is increased risk of fraud, waste, and abuse of taxpayer money.

According to a GAO report, the 2017 hurricanes and wildfires highlighted some longstanding issues and revealed other emerging response and recovery issues.[13] For example, the concurrent timing and scale of the disaster damages nationwide caused shortages in available debris removal contractors and delays in removing disaster debris — a key first step in recovery. In addition, FEMA's available workforce was overwhelmed by the response needs. FEMA officials noted that staff shortages and lack of trained personnel with program expertise led to complications in its response efforts.

Our recent work related to disaster assistance programs demonstrates FEMA's continuing challenges holding grant recipients accountable for managing disaster relief funds. Under the Public Assistance Program, states are required to monitor subgrantees' activities to ensure compliance with applicable Federal requirements. Yet, we continue to document the failure of grantees to fulfill basic grant management responsibilities. For example, as a result of an audit of $7 million in Public Assistance Program funds awarded to Richland County, North Dakota, we determined funding totaling $6.2 million was ineligible because the County did not have the legal responsibility for repairs to township roadways.[14] In general, our audits show that the oversight intended to monitor the billions of dollars awarded by FEMA in disaster assistance grants is often ineffective and inefficient, as well as vulnerable to fraud, waste, and abuse. Therefore, FEMA must ensure the states effectively manage their disaster relief grants and monitor their subrecipients.

In addition to issues with grant management, we identified a number of other challenges to FEMA's programs and operations. For example, FEMA failed to address persistent issues with technology planning, governance, and system support challenges to effectively support its mission.[15] Specifically, in 2015 we recommended the Chief Information Officer finalize key planning documents related to IT modernization, execute against those planning documents, fully implement an IT governance board, improve integration and functionality of existing systems, and implement component-wide acquisition, development, and operation and maintenance standards. In 2018, many of the issues we reported in prior years remain unchanged, with adverse impact on day-to-day operations and mission readiness. In another example, FEMA created the Sandy Claims Review Process (SCRP), but did not rely on legislatively mandated controls designed to ensure appropriate payments to flood victims.

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[13] *2017 Hurricanes and Wildfires-Initial Observations on the Federal Response and Key Recovery Challenges* (GAO-18-472)
[14] *Management Alert - FEMA Should Recover $6.2 Million in Public Assistance Funds for Disaster Repairs That Are Not the Legal Responsibility of Richland County, North Dakota* (OIG-18-09)
[15] *Management Alert-Inadequate Progress in Addressing Open Recommendations from our 2015 Report, "FEMA Faces Challenges in Managing Information Technology"* (OIG-18-54)

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This resulted in policyholders receiving unsupported additional payments, excessive costs to operate the process, and time delays processing claims. As of December 1, 2017, a re-review of claims under the SCRP cost more than $196 million and had offered policyholders an additional $270 million for their claims.[16]

Protecting Controlled Areas and Systems, Securing the Border and Transportation System, and Complying with Immigration Laws

As a result of a recent audit, we determined that DHS still faces challenges implementing and managing requirements of the Homeland Security Presidential Directive-12 program, which could lead to unauthorized access to controlled areas and information systems.[17] The Department has an effective process for issuing personal identity verification cards, but still faces challenges such as ensuring separated contractors' cards are terminated. In addition, the Department has made limited progress in regulating access to its facilities and systems. Finally, DHS has not independently verified components' reported compliance in implementing logical access controls on their unclassified information systems. As a result, DHS cannot ensure that only authorized employees have access to its controlled facilities and systems and individuals who misrepresent their identities could circumvent controls and harm people and assets. Potential unauthorized access to information systems could lead to loss, theft, or misuse of sensitive information.

We also reported that U.S. Customs and Border Protection's (CBP) ineffective processes and IT security controls to support air mail inspection operations at John F. Kennedy International Airport could hamper efforts to prevent prohibited items, including opioids, from entering the United States.[18] Despite legislative requirements to systematically target and widely prevent illegal imports, CBP inspects only a limited number of the hundreds of thousands of pieces of incoming air mail each day, largely due to difficulty inventorying and locating targeted mail, as well as inadequate guidance, equipment, and resources. Further, international mail suspected of containing contraband is not physically controlled due to procedural, space, and technical limitations. This inspection environment could lead to stolen, misplaced, or improperly delivered mail; hazards for inspection personnel; and potentially lost or damaged evidence to support criminal cases. Given a lack of oversight, servers supporting CBP's mail inspection processes do not meet IT security control requirements, and not all of them are included in CBP's system inventory, making them vulnerable to potential attacks and operational disruptions.

[16] *Unsupported Payments Made to Policyholders Who Participated in the Hurricane Sandy Claims Review Process*, (OIG-18-38)
[17] *Department-wide Management of the HSPD-12 Program Needs Improvement* (OIG-18-51)
[18] *CBP's International Mail Inspection Processes Need Improvement at JFK International Airport* (OIG-18-83)

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Additionally we reviewed deficient cyber security controls that resulted in a January 2, 2017 outage of CBP's TECS, the principal system used by officers at the border to help screen and determine the admissibility of arriving persons. This prevented CBP from promptly processing arriving international passengers at airports.[19] We also reported that CBP did not have an adequate test environment for TECS. Without being able to test system changes using 'real-life' scenarios, CBP would be at increased risk that TECS would experience future outages.

Finally, we determined that USCIS has inadequate controls for verifying that foreign nationals seeking lawful permanent residence status meet health-related standards for admissibility.[20] First, USCIS is not properly vetting the physicians it designates to conduct required medical examinations of these foreign nationals, and it has designated physicians with a history of patient abuse or a criminal record. This is occurring because USCIS does not have policies to ensure only suitable physicians are designated. Second, when reviewing these foreign nationals' required medical forms, USCIS Immigration Services Officers are accepting incomplete and inaccurate forms because they are not adequately trained and because USCIS does not enforce its existing policies. As a result of these deficiencies, USCIS may be placing foreign nationals at risk of abuse by physicians performing medical examinations. USCIS could also be exposing the U.S. population to contagious or dangerous health conditions from foreign nationals erroneously granted lawful permanent resident status.

Acquisition Program Management

Acquisition program management continues to be one of the Department's significant challenge areas. Every year, the Department spends billions of dollars on a broad range of assets and services — from ships, aircraft, surveillance towers, and nuclear detection equipment to financial, human resources, and IT systems. Procurement practices that do not comply with Federal requirements can lead to high-risk contracts resulting in U.S. taxpayers bearing excessive and ineligible costs.

GAO also highlighted acquisition program management as one of DHS' high risk areas. According to GAO, DHS' efforts to improve its major acquisition programs are noteworthy, but the program continues to face challenges. Issues with staffing, funding, and defining the Department's requirements increase the likelihood that major acquisition projects will cost more and take longer than expected to complete. Components have an ongoing tendency to acquire systems before adequately defining requirements or developing performance measures.

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[19] *Review of CBP Information Technology System Outage of January 2, 2017* (OIG-18-19)
[20] *USCIS' Medical Admissibility Screening Process Needs Improvement* (OIG-18-78)

Acquisition program management is inherently complex and high risk. It is further challenged by the magnitude and diversity of the Department's procurements, the need to expand capabilities to meet evolving threats, and budget constraints. DHS' well-documented challenges in this area cover decisions on a wide array of high-value goods and services. For example, in the past, although DHS has undertaken numerous initiatives to better manage the billions of dollars in IT investments, these projects frequently incur cost overruns and schedule slippages while contributing little to mission-related outcomes. We are currently auditing acquisition activities related to the planned wall on the southern border, which will likely highlight continuing challenges.

Our fiscal year 2018 body of work illustrates these ongoing challenges. For instance, we reported that although the United States Coast Guard approved approximately $1.8 billion in IT procurements between FYs 2014 and 2016, it does not know if almost 400 information systems are receiving proper acquisition oversight.[21] This occurred because the Coast Guard's controls over IT investments lack synergy and create weaknesses that affect its ability to adequately identify, designate, and oversee non-major IT acquisition programs. Programs that do not receive adequate oversight are at risk of wasting money, missing milestones, and failing to meet performance requirements.

As previously reported, the Department also faced challenges in managing its acquisition of the Performance and Learning Management System (PALMS).[22] Because the PALMS program office did not effectively implement its acquisition methodology and did not monitor contractor performance, PALMS did not address the Department's critical need for an integrated, department-wide learning and performance management system. We are continuing audit work on PALMS.

Acquisition program management is critical to fulfilling all DHS' missions. The Department has taken steps to improve its processes and strengthen its oversight of major acquisition programs. However, to be fully successful, DHS must act as one entity working toward a common goal. The Department must continue toward a strong central authority and uniform policies and procedures to ensure lasting change.

Cybersecurity

Cybersecurity is an area of increasing risk throughout the Federal government. External threats such as hackers, cyber-terrorist groups, and denial of service attacks are of particular concern. GAO has identified the security of cyber assets and the privacy of personally identifiable information as another area on its High Risk List. GAO first designated information security as a government-

[21] *Coast Guard IT Investments Risk Failure Without Required Oversight* (OIG-18-15)
[22] *PALMS Does Not Address Department Needs* (OIG-17-91)

wide high-risk area in 1997. This was later expanded to include protecting cyber critical infrastructure, as well as the privacy of personally identifiable information. The risks to these systems are increasing as security threats evolve and become more sophisticated. The Department must remain vigilant in establishing a control environment to continuously monitor potential IT risks, threats, and vulnerabilities.

Since its inception, the Department has struggled to implement and enforce a strong internal control environment that will protect the security of its information systems, critical infrastructure, and protecting the privacy of personally identifiable information. For example, CBP did not implement information security controls and safeguards to protect the information collected on its Unmanned Aircraft Systems (UAS).[23] CBP did not perform a privacy threshold analysis for the Intelligence, Surveillance, and Reconnaissance (ISR) Systems used in the UAS. Without a privacy assessment, CBP could not determine whether the system contained data requiring safeguards per privacy laws, regulations, and DHS policy. In addition, CBP did not implement adequate controls to limit physical access to the ground control station housing ISR Systems data. These information security deficiencies occurred because CBP did not establish an effective program structure, including the leadership, expertise, staff, training, and guidance needed to manage ISR Systems effectively. As a result, ISR Systems and mission operations were at increased risk of compromise by trusted insiders and external sources.

The Department also faces challenges to sharing cyber threat information across Federal and private sector entities.[24] The system DHS currently uses to share cybersecurity information does not provide the quality, contextual data needed to effectively defend against ever-evolving threats. Without acquiring a cross-domain information processing solution and automated tools, DHS cannot analyze and share threat information expeditiously. Further, without enhanced outreach, DHS cannot increase participation and improve coordination of information sharing across the Federal and private sectors.

We also identified examples of weak cybersecurity controls in a report on DHS' information security program. As a result of our review, we determined the Department could protect its information and systems more fully and effectively.[25] Specifically, in three of five areas, DHS' information security program fell one level below the targeted "Level 4" in the FY 2017 *Federal Information Security Modernization Act* reporting instructions. Among other issues, DHS lacked valid authority to operate 64 systems, did not implement all configuration settings required to protect component systems, did not monitor software licenses for unclassified systems, and did not test all system

[23] *CBP Has Not Ensured Safeguards for Data Collected Using Unmanned Aircraft Systems* (OIG-18-79)
[24] *Biennial Report on DHS' Implementation of the Cybersecurity Act of 2015* (OIG-18-10)
[25] *Evaluation of DHS' Information Security Program for FY 2017* (OIG-18-56)

contingency plans. In addition, based on the maturity model in this year's reporting instructions, DHS' information security program for intelligence systems was not effective.[26] Specifically, DHS' continuous monitoring tools were not interoperable, and it did not have documented procedures, formal training, or qualitative and quantitative measures to continuously monitor intelligence systems. Based on information provided by the Office of Intelligence and Analysis, OIG agreed to close our recommendations.

DHS depends on its systems and data to carry out its mission. Additional oversight is needed to address deficiencies. Otherwise, DHS cannot ensure its systems adequately protect the sensitive data they store and process. The Department must act as a central oversight body and ensure components secure these high-risk networks and comply with all applicable laws and regulations. Failure to do so increases the risk of unauthorized access manipulation, and misuse of the data they contain.

Looking Forward: Our Work Ahead

Although the Department continues to address and implement our recommendations to improve its programs and operations, these challenges highlight our need to continue proactive and thorough oversight, as well as the necessity for sustained effort by the Department. As agents of positive change, we strive to help the Department overcome these challenges by identifying them and making recommendations to improve efficiency and effectiveness; strengthen programs and operations; and safeguard public funds from fraud, waste, and abuse.

Management Comments and OIG Response

The Department's response to our report is attached as Appendix A. While the Department believes it has overcome many of its challenges, it is our assessment that while some improvements have been made, significantly more needs to be done. In response to the Department's comments, we did modify portions of our report to highlight positive actions taken by the Department.

[26] *Evaluation of DHS' Compliance with Federal Information Security Modernization Act Requirements for Intelligence Systems* (OIG-18-59)

OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix A
DHS' Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20528
Homeland Security

October 29, 2018

MEMORANDUM FOR: John V. Kelly
Senior Official Performing the Duties of the Inspector General
Office of Inspector General

FROM: Jim H. Crumpacker, CIA, CFE
Director
Departmental GAO-OIG Liaison Office

SUBJECT: Management Response to OIG's Draft Report: "Major Management and Performance Challenges Facing the Department of Homeland Security" (OIG-19-XXX, dated October 19, 2018)

Thank you for the Office of Inspector General's (OIG) independent perspective on the most serious management and performance challenges facing the Department of Homeland Security (DHS). DHS senior leadership continues to maintain a culture where everyone understands and believes that audits make the Department stronger, by helping make our programs, operations, and activities more effective and efficient, thus ensuring our Nation and its citizens are safe, secure, and resilient against terrorism and other hazards.

The OIG's report provides valuable insights; however, the Department is concerned the report does not seem to equitably balance the challenges the Department faces with the progress made in addressing those challenges. Many of the summaries of prior OIG work in the report are outdated and do not reflect the current state of actions taken, on-going, or planned to address the issues identified. For example, the summary about OIG's report on efforts to automate benefits processing using the Electronic Immigration System (ELIS), issued nearly one year ago,[1] does not recognize the significant progress U.S. Citizenship and Immigration Services (USCIS) has made establishing performance measures to assess whether ELIS is achieving expected outcomes related to improving efficiency, accuracy, and security in benefits delivery, even though credit for such progress in several instances was included in the report cited. In fact, OIG has already agreed to close four of the five recommendations made in this report, which confirms

[1] "USCIS Has Been Unsuccessful in Automating Naturalization Benefits Delivery," OIG-18-23 (Washington, D.C.: November 30, 2017)

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USCIS has implemented the agreed-upon actions and that doing so has corrected the deficiencies cited.

In addition, senior leadership believes that OIG's characterization of internal controls could leave readers of the report with a mistaken impression about DHS efforts and successes achieved in implementing effective internal controls and incorporating management fundamentals in programs and operations across Components, as it relates to the fulfillment of the Department's vital border security, immigration, law enforcement, and national preparedness missions, and protecting and securing our Nation. For example, the report does not recognize that DHS has established a robust internal control reporting structure, which enables the Secretary of Homeland Secretary to report and provide a reasonable assurance on the effectiveness of DHS's system of internal controls.

More specifically, "assurance statements" over the effectiveness of internal controls for financial reporting are based upon internal testing. Management performs an analysis on the pervasiveness and materiality over any identified deficiencies to determine their impact and management's analysis. Led by the DHS Chief Financial Officer (CFO), each Component and Under Secretary for Management assurance statements are reviewed for consideration and determination of impact to the DHS enterprise. Results of the analysis and recommendation for reporting are included in the overall DHS assurance statement, which is reviewed by the Secretary and Deputy Secretary prior to final publication. It is important to note that since FY 2006, DHS has reduced material internal control findings from ten to two. DHS and Components continue to establish, monitor and implement corrective actions to eliminate the remaining weaknesses related to IT controls and financial reporting.

Furthermore, many Components have also implemented an internal control plan to assess effectiveness of operational internal controls through inspections, self-evaluations, and desk reviews. In evaluating the results of internal control tests as well as a review of external audit reports and other sources of available information, none of the Component findings merited the Secretary of Homeland Security disclosing a material weakness in internal control over operations during the last four fiscal years. However, recognizing that U.S. Government Accountability Office (GAO) and OIG reports continue to identify internal control deficiencies, DHS and Components are persisting in their efforts to further implement and refine processes integrating and prioritizing control response and monitoring by maturing the Enterprise Risk Management framework at DHS. During FY 2018, DHS and Components have, in conjunction with DHS Office of the CFO, worked in coordination with the DHS Office of Policy (PLCY), DHS Risk and Analysis Executive Steering Committee, and others to (1) update the DHS risk profile through the Department's Strategic Review process, and (2) develop an operational risk register at each Component, among other activities.

Senior leadership is also concerned about OIG assertions regarding DHS efforts "to effectively oversee and manage programs and operations through careful planning; gathering complete and reliable data for informed decision making; implementing and enforcing clear and consistent policies, procedures, and practices; and establishing meaningful performance measures for future improvement." Leadership acknowledges that while progress has been made, more work needs to be done in these areas; however, believes that OIG's report discussion and characterization of the issues areas lacks context as regards the achievement of DHS's strategic missions and goals.

For example, the DHS PLCY-led Immigration Data Integration Initiative has made progress on immigration data standards and sharing, the success of which has been demonstrated by strong Congressional support as signaled by additional appropriations provided to the Department. In addition, the DHS requirements process continues to mature and contribute to DHS acting as a single, focused organization. Most recently it has shown value in helping shape leadership decision-making on the U.S. Customs and Border Protection (CBP) Biometric Airport Exit Program, while working to coordinate CBP's efforts with the Transportation Security Administration's interest in expanding its use of biometrics in the airport environment. The requirements process has also made strides in moving from program-specific requirements to those focused on broader capability areas with the development of a suite of land and air domain awareness capability documents that will lead to better understanding of the contributions of existing domain awareness programs and more effective investment in future capability acquisitions in those areas. The start of a maritime domain awareness requirements effort is also imminent.

Also, GAO recently stated, after reviewing 28 acquisition programs, including DHS's largest programs that were in the process of obtaining new capabilities, and programs GAO or DHS identified as at risk of poor outcomes, that "DHS is collecting more timely cost estimate information on its acquisition programs to make more informed investment decisions."[2] For example, GAO found that the Department is regularly updating Life Cycle Cost Estimates (LCCEs), a GAO best practice that promotes accuracy.[3] Specifically, all of the programs reviewed met DHS requirements to update their LCCE at each acquisition decision event, as applicable. In addition, 10 of 11 selected programs reviewed met DHS's requirement for programs not yet in the deployment phase to update their LCCEs annually.

Further, GAO recognized that while DHS continues to face challenges in funding its acquisition portfolio, "to be clear, there can be valid reasons for cost growth or schedule

[2] GAO, "HOMELAND SECURITY ACQUISITIONS: Leveraging Programs' Results Could Further Improve DHS's Progress to Improve Portfolio Management," GAO-18-339SP (Washington, D.C.: May 17, 2018).
[3] GAO, "DHS PROGRAM COSTS: Reporting Program-Level Operations and Support Costs to Congress Would Improve Oversight," GAO-18-344 (Washington, D.C.: April 25, 2018).

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delays."[4] For example, some programs are pursuing expanded capabilities to meet evolving threats and, in these situations, more time and money will be needed to achieve their ultimate goals. In addition, funding constraints can also impede a program's intended delivery of capabilities. GAO stated that "DHS leadership has taken positive steps in recent years by strengthening its policies for acquisition management and resource allocations, and establishing policies related to requirements. Collectively, these policies reflect an integrated approach to managing investments."[5]

At the Component level, CBP is advancing its requirements and performance measures approaches using its Capabilities Gap Assessment approach which informed their Border Security Improvement Plan (which is providing details and justification for the border wall construction). U.S. Immigration and Customs Enforcement also led a study during FY 2018 on "Empirical Modeling of Immigration Flows" to further develop its predictive analysis and performance management capabilities for detention bed space and workforce deployment (the model is called Policy Optimized Decision Support (PODS). PODS uses data from other DHS border security/immigration Components, as well as U.S. Department of Justice immigration data, and we expect that it will gain more widespread use by these other Components as it matures.

Overall, we disagree with OIG's overall assessment that "Although DHS does attempt to address some of its challenges, it is generally not a sustained effort." The fact is the Department is pouring more resources than ever before into effectively overseeing and managing programs and operations through careful planning; gathering complete and reliable data for informed decision making; implementing and enforcing clear and consistent policies, procedures, and practices; and establishing meaningful performance measures for future improvement to be a unified entity, and will continue to do so.

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover for OIG consideration. Please contact me if you have any questions.

[4] GAO, "HOMELAND SECURITY ACQUISITIONS: DHS Has Strengthened Management, but Execution and Affordability Concerns Endure," GAO-16-338SP (Washington, D.C.: March 31, 2016).
[5] GAO-18-339SP

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Appendix B
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Acronym List

Unaudited, see accompanying Auditors' Report

Acronyms

ADIAC – Aviation Domain Intelligence Integration and Analysis Cell
AFG – Assistance to Firefighters Grants
AFR – Agency Financial Report
AGA – Association of Government Accountants
AMO – Air and Marine Operations
APR – Annual Performance Report
ATAK – Android Team Awareness Kit
AUO – Administratively Uncontrollable Overtime
CBP – U.S. Customs and Border Protection
CDL – Community Disaster Loans
CDM – Continuous Diagnostics and Mitigation
CDP – Center for Domestic Preparedness
CEAR – Certificate of Excellence in Accountability Reporting
CFATS – Chemical Facility Anti–Terrorism Standards
CFO – Chief Financial Officer
CFR – Code of Federal Regulations
CIO – Chief Information Officer
COBRA – Consolidated Omnibus Budget Reconciliation Act of 1985
COTS – Commercial Off–the–Shelf
CSAT – Chemical Security Assessment Tool
CSRS – Civil Service Retirement System
CWMD – Countering Weapons of Mass Destruction
CY – Current Year
DADLP – Disaster Assistance Direct Loan Program
DC – District of Columbia
DCIA – Debt Collection Improvement Act of 1996
DHS – Department of Homeland Security
DIEMS – Date of Initial Entry into Military Service
DMO – Departmental Management and Operations
DNDO – Domestic Nuclear Detection Office
DOD – U.S. Department of Defense
DOI IBC – Department of the Interior's Interior Business Center
DOL – U.S. Department of Labor
E3A – EINSTEIN 3 Accelerated
EEI – Employee Engagement Index
EDC – Explosive Detection Canines
EDS – Explosive Detection System
EMI – Emergency Management Institute
EO – Executive Order
ERM – Enterprise Risk Management
ERO – Enforcement and Removal Operations
FAA – DHS Financial Accountability Act
FBI – Federal Bureau of Investigation
FBwT – Fund Balance with Treasury
FCRA – Federal Credit Reform Act of 1990
FDNS – Fraud Detection and National Security Directorate
FECA – Federal Employees Compensation Act of 1916
FEMA – Federal Emergency Management Agency
FERS – Federal Employees Retirement System
FEVB – Federal Employee and Veterans' Benefits
FEVS – Federal Employee Viewpoint Survey
FFMIA – Federal Financial Management Improvement Act of 1996
FIID – Fraud and Internal Investigations Division
FISMA – Federal Information Security Management Act
FLETC – Federal Law Enforcement Training Centers
FMFIA – Federal Managers' Financial Integrity Act
FPS – Federal Protective Service
FSM – Financial Systems Modernization
FY – Fiscal Year
GAAP – Generally Accepted Accounting Principles
GAO – U.S. Government Accountability Office
GMM – Grants Management Modernization
GSA – General Services Administration
GSI – Global Satisfaction Index
HSGP – Homeland Security Grant Program
HRM – Human Resource Management

HSI – Homeland Security Investigations
HS-STEM – Homeland Security Science, Technology, Engineering, and Mathematics
I&A – Office of Intelligence and Analysis
ICE – U.S. Immigration and Customs Enforcement
IEFA – Immigration Examination Fee Account
IMATs – Incident Management Assistance Team
INA – Immigration Nationality Act
IP – Improper Payment
IPERA – Improper Payments Elimination and Recovery Act of 2010
IPERIA – Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA – Improper Payments Information Act of 2002
IT – Information Technology
JPMO – Joint Program Management Office
JRC – Joint Requirements Council
JTF – Joint Task Force
MERHCF – Medicare–Eligible Retiree Health Care Fund
MGMT – Management Directorate
MHS – Military Health System
MRS – Military Retirement System
MTS – Metric Tracking System
NCCIC -- National Cybersecurity and Communications Integration Center
NCEPP – National Cyber Exercise and Planning Program
NCFI – National Computer Forensics Institute
NFIP – National Flood Insurance Program
NPPD – National Protection and Programs Directorate
NPSC – National Processing Service Centers
NSSE – National Special Security Events
OHA – Office of Health Affairs
OIG – Office of Inspector General
OMB – Office of Management and Budget
OM&S – Operating Materials and Supplies
OPA – Oil Pollution Act of 1990
OPCON – Operational Control
OPEB – Other Post Retirement Benefits
OPM – Office of Personnel Management
OPMAT – Operation Matador
OPS – Office of Operations Coordination
ORB – Other Retirement Benefits
OSLTF – Oil Spill Liability Trust Fund
PP&E – Property, Plant, and Equipment
PSC – Passenger Screening Canines
Pub. L. – Public Law
PY – Prior Year
R&D – Research and Development
RFID – Radio Frequency Identification
RM&A – Risk Management and Assurance
RNROC – Radiological/Nuclear Requirements Oversight Council
RtF – Reduce the Footprint
SAT – Senior Assessment Team
SBR – Statement of Budgetary Resources
SF – Square Feet
SFFAS – Statement of Federal Financial Accounting Standards
SFRBTF – Sport Fish Restoration Boating Trust Fund
SMC – Senior Management Council
SOS – Schedule of Spending
SPR – State Preparedness Report
S&T – Science and Technology Directorate
STC – Securing the Cities
TAFS – Treasury Account Fund Symbol
TCM – Trade Compliance Measurement
TCO – Transnational Criminal Organizations
THIRA – Threat and Hazard Identification and Risk Assessment
TSA – Transportation Security Administration
TSGP – Transit Security Grants Program
U.S. – United States
USBP – United States Border Patrol
USC – United States Code
USCG – U.S. Coast Guard
USCIS – U. S. Citizenship and Immigration Services
USSS – U.S. Secret Service
VA – U.S. Department of Veterans Affairs
VP – Vendor Pay
WYO – Write Your Own

Acknowledgements

This Agency Financial Report (AFR) was produced with the tireless energies and talents of Department of Homeland Security Headquarters and Component employees and contract partners.

- Within the Office of the Chief Financial Officer, the division of Financial Management is responsible for financial management policy, preparing annual financial statements and related notes and schedules, and coordinating the external audit of the Department's financial statements.
- The division of Risk Management and Assurance provides direction in the areas of internal control to support the Secretary's assurance statement, risk management, and improper payments.
- The division of Program Analysis and Evaluation conducts analysis for the Department on resource allocation issues and the measurement, reporting, and improvement of DHS performance, and coordinates the Performance Overview section of the AFR.
- The division of GAO-OIG Audit Liaison facilitates Department relationships with audit organizations and coordinates with OIG on the Management Challenges report.

We offer our sincerest thanks to all the offices involved in the Department's FY 2018 Agency Financial Report for their hard work and contributions.

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