



Highlights of [GAO-07-536](#), a report to the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Since the Department of Homeland Security (DHS) began operations in March 2003, it has faced the daunting task of bringing together 22 diverse agencies and developing an integrated financial management system to provide timely, reliable, and useful financial information. GAO was asked to determine (1) whether DHS has fully developed plans for implementing and/or migrating to an integrated departmentwide financial management system, (2) the potential usefulness of the work products received for the funds spent on the financial modernization effort, and (3) going forward, how DHS can incorporate best practices into its plans for migrating to an integrated departmentwide financial management system. GAO interviewed key DHS officials, reviewed relevant DHS policy and procedure documents, and analyzed work products related to the financial modernization effort.

What GAO Recommends

To help reduce the risks associated with a departmentwide financial management system implementation effort, GAO makes six recommendations focused on the need for DHS to define a departmentwide financial management strategy and embrace best practices to foster systems development, including key human capital practices. DHS concurred with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-536.

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-9095 or Keith Rhodes at (202) 512-6412.

HOMELAND SECURITY

Departmentwide Integrated Financial Management Systems Remain a Challenge

What GAO Found

DHS has not yet developed a financial management strategy and plan to move forward with its financial management system integration efforts. In early March 2007, DHS officials issued a plan to address existing internal control weaknesses, but this plan is at a high level and more detailed implementation strategies will be necessary to fully address the financial management systems challenges. With Office of Management and Budget (OMB) approval, DHS indicated that it has decided to migrate components to internal service providers using selected financial management systems models currently in place at two components. However, the components that DHS is considering have material financial management weaknesses.

The Electronically Managing Enterprise Resources for Government Effectiveness and Efficiency (eMerge²) program that was expected to integrate financial management systems across the entire department and address financial management weaknesses was halted in December 2005. DHS has stated that it had spent about \$52 million in total for the eMerge² project, including approximately \$18 million of contractor costs, but the department did not provide support for these amounts. According to DHS officials, several of the work products developed for eMerge² will be useful as they move forward with their financial management modernization efforts, regardless of the strategic financial management direction ultimately selected by DHS. GAO's review indicated that key work products are of limited value. The concept of operations did not contain an adequate description of the legacy systems and a clear articulation of the vision that should guide the department's improvement efforts, and key requirements developed for the project are unclear and incomplete.

Consolidation of an entity as large and diverse as DHS poses significant management challenges, including integrating a myriad of redundant financial management systems and addressing existing and newly identified weaknesses in the inherited components. In order for DHS to avoid long-standing problems that have plagued financial management system improvement efforts at other agencies and not repeat the failure of eMerge², it must adopt solutions that reduce the risks associated with these efforts to acceptable levels. Based on best practices, there are four key building blocks that will be critical to DHS's ability to successfully complete its financial transformation: (1) developing a concept of operations, (2) defining standard business processes, (3) developing a migration and/or implementation strategy for DHS components, and (4) defining and effectively implementing disciplined processes necessary to properly manage the specific projects. Moreover, effective human capital management is critical to the success of systems implementations. Having staff with the appropriate skills is key to achieving financial management improvements, and managing an organization's employees is essential to achieving results.