



Highlights of [GAO-06-553T](#), a testimony before congressional subcommittees

Why GAO Did This Study

Over the years, GAO has reported on various agencies' financial management system implementation failures. GAO's recent report ([GAO-06-184](#)) discusses some of the most significant problems previously identified with agencies' financial management system modernization efforts. For today's hearing, GAO was asked to provide its perspectives on the importance of the Department of Homeland Security (DHS) following best practices in developing and implementing its new financial management systems and avoiding the mistakes of the past. GAO's testimony (1) discusses the recurring problems identified in agencies' financial management systems development and implementation efforts, (2) points out key financial management system modernization challenges at DHS, and (3) highlights the building blocks that form the foundation for successful financial management system implementation efforts.

www.gao.gov/cgi-bin/getrpt?GAO-06-553T.

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.

FINANCIAL MANAGEMENT SYSTEMS

DHS Has an Opportunity to Incorporate Best Practices in Modernization Efforts

What GAO Found

GAO's work and that of agency inspectors general over the years has shown that agencies have failed to employ accepted best practices in systems development and implementation (commonly referred to as disciplined processes) that can collectively reduce the risk associated with implementing financial management systems. GAO's recent report identified key causes of failures within several recurring themes including (1) disciplined processes, such as requirements management, testing, and project management; and (2) human capital management, such as workforce planning, human resources, and change management. Prior reports have identified costly systems implementation failures attributable to problems in these areas at agencies across the federal government.

DHS faces unique challenges in attempting to develop integrated financial management systems across the breadth of such a large and diverse department. DHS inherited a myriad of redundant financial management systems from 22 diverse agencies and about 100 resource management systems. Among the weaknesses identified in prior component financial audits were insufficient internal controls or processes to reliably report financial information such as revenue, accounts receivable, and accounts payable; significant system security deficiencies; financial systems that required extensive manual processes to prepare financial statements; and incomplete policies and procedures necessary for conducting basic financial management activities. In August 2003, DHS began a program to consolidate and integrate DHS financial accounting and reporting systems. DHS officials said they recently decided to develop a new strategy for the planned financial management systems integration program, referred to as eMerge², because the prior strategy was not meeting its performance goals and timeline. DHS's revised strategy will allow DHS components to choose from an array of existing financial management shared service providers.

Based on industry best practices, GAO identified four key concepts that will be critical to DHS's ability to successfully complete its planned migration to shared service providers. Careful consideration of these four concepts, each one building upon the next, will be integral to the success of DHS's strategy. The four concepts are

- developing a concept of operations,
- defining standard business processes,
- developing a strategy for implementing DHS's shared services approach across the department, and
- defining and effectively implementing disciplined processes necessary to properly manage the specific projects.

With DHS at an important crossroads in implementing financial management systems, it has an excellent opportunity to use these building blocks to form a solid foundation on which to base its efforts and avoid the problems that have plagued so many other federal agencies.