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# **FINANCIAL MANAGEMENT LINE OF BUSINESS INTEGRATION AND MANAGEMENT**

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## **I. Purpose**

This Management Directive (MD) establishes the Department of Homeland Security's (DHS) vision and direction on the authorities and responsibilities of the leadership of the Department's Chief Financial Officer. It reinforces our commitment to create a unified 21<sup>st</sup> century department in both mission accomplishment and support systems performance as quickly as possible. As such, this directive is the principal document for leading, governing, integrating, and managing the Financial Management functions throughout DHS. Essential to the success of Departmental operations is an integrated, progressive support infrastructure designed to function in a highly dynamic environment. Our Strategic Goal of Organizational Excellence mandates a collaborative approach from every entity within the Department.

Creating functional excellence, as described herein, requires every executive, manager, and employee in the Department to create the environment that rewards collaboration, promotes best practices, and shares accountability for the performance of the management support systems that enable the Department to fulfill its mission. This concept of dual accountability mandates that both OE heads and key departmental functional experts are responsible for organizational excellence. The Line of Business Chief described herein will be held accountable for designing the system to optimize the Financial Management function, setting the standards for functional performance, creating the department-wide policies and processes, providing the automated solutions to yield greater efficiencies, and nurturing the development and success of centers of excellence. OE heads will likewise be accountable to support these progressive business functions as a key part of their commitment to mission accomplishment.

In all efforts of this magnitude, when so much is to be gained, the integration and alignment of each function requires strong communication, respect for both individuals and process, and a shared resolve to find solutions that benefit both mission accomplishment and functional excellence. DHS leadership across the Department must challenge traditional approaches and communicate and execute as a team to design and execute these support functions that will constitute progressive 21<sup>st</sup> century excellence in governance.

## **II. Scope**

This Directive applies to all DHS organizational elements, except the United States Secret Service (USSS) and United States Coast Guard (USCG), which are exempted by statute. That notwithstanding, as part of the larger DHS team, both the USSS and USCG will collaborate and participate in the efforts described herein to further both operational and organizational effectiveness and efficiency.

## **III. Authorities**

Numerous Public Laws, regulations, rules, and other directives govern this directive, including but not limited to:

- A. Public Law 107-296, Homeland Security Act of 2002, codified in Title 6, US Code.
- B. Delegation Number 0201.1, Delegation to the Under Secretary for Management.
- C. Department of Homeland Security Management Directive 0820 (Interim), Subject: General Accounting Office Relations.
- D. Department of Homeland Security Management Directive 0110, Organization Control System.
- E. Department of Homeland Security Management Directive 3030, Subject: SES Merit Staffing Plan.
- F. Secretary of Homeland Security Memorandum, dated September 12, 2003; Subject: DHS Leadership Meeting - Organizational Integration.
- G. Secretary of Homeland Security Memorandum, dated August 12, 2004; Subject: Functional Integration Effort.
- H. Deputy Secretary of Homeland Security Memorandum, dated August 13, 2004; Subject: Guidance for DHS Functional Integration Effort.
- I. President's Management Agenda, August 1, 2001.
- J. Securing our Homeland, US Department of Homeland Security Strategic Plan, February 2004.

## IV. Definitions

- A. **Center of Excellence**: An organizational entity with expertise, capabilities, and resources in a specific discipline area chartered to support DHS-wide requirements. The mission, charter, roles, responsibilities, resources, authority and implementation plans, and service level agreements for each Financial Management Center will be reviewed by the DHS CFO Council and approved by the DHS CFO.
- B. **DHS Chief Financial Officer (DHS CFO)**: The DHS CFO, Directorate for Management, is the line of business chief who exercises leadership and authority over Financial Management policy and programs for the entire DHS enterprise.
- C. **DHS Chief Financial Office's Council**: The functional advisory body that assists the DHS CFO in evaluating and determining the best course of action for Financial Management functions. The CFO Council is chaired by the DHS CFO.
- D. **Dual Accountability**: The shared responsibility of both OE Heads and LOB Chiefs to build a progressive 21<sup>st</sup> Century DHS. Dual accountability recognizes mission accomplishment as the ultimate responsibility of the OE Heads, and also requires them to support functional integration. Dual accountability recognizes the LOB Chiefs' professional expertise in their specialty area and consequently their primary responsibility to drive functional excellence across DHS, and to do so focused also on DHS mission accomplishment.
- E. **eMerge2**: The Department's resource management transformation initiative. eMerge<sup>2</sup> stands for "electronically managing enterprise resources for Government effectiveness and efficiency." eMerge<sup>2</sup> is a business-focused program that seeks to consolidate and integrate the Department's budget, accounting and reporting, cost management, acquisitions and grants, asset management, and budget functions.
- F. **Financial Management**: Financial Management includes all functions managed by the DHS CFO and the OE CFOs, including: Accounting, budget formulation and execution, program analysis and evaluation, acting as liaison with the Government Accountability Office (GAO) and Inspector General (IG), strategic planning, internal audits, audit follow-up, oversight and negotiation of reimbursable agreements, investment management and evaluation, bank card programs, financial reporting, financial systems, appropriation-related Congressional reporting, Office of Management and Budget submissions, issuance of financial policies and guidance, management of working capital funds, and other related functions.

G. **Financial Management Functions**: Financial Management Functions include personnel resources, assets, budgets, and processes required to deliver mission and financial management services.

H. **Functional Integration**: Functional Integration is a transformation process that enhances efficient and effective use of resources by establishing unified policies and business processes, the use of shared or centralized services and standards, and automated solutions. Functional integration is a structured cooperation and collaboration among DHS OEs and LOB Chiefs for the purpose of achieving functional excellence in support of the Departmental mission and objectives. This is accomplished by decreasing fragmentation and duplication, providing enhanced integrated services, and increasing efficiency and quality of management lines of business.

I. **Key Financial Management Officials**: Key Financial Management Officials shall include the OE CFO, Budget Director(s), and Accounting Director(s).

J. **Line of Business (LOB) Chief**: This includes the DHS Chief Procurement Officer, DHS Chief Administrative Services Officer, Chief Financial Officer, the Chief Human Capital Officer, and the Chief Information Officer.

K. **Organizational Element (OE)**: Directorates and agencies comprising the Department of Homeland Security, as defined in MD 0010.1.

L. **OE Heads**: DHS Under Secretaries of the Border and Transportation Security (BTS), Information Analysis and Infrastructure Protection (IAIP), Science and Technology (S&T), Management, and Emergency Preparedness and Response (EP&R) Directorates and their mission leaders, administrators and commissioners; the Director of the US Secret Service; the Commandant of the U.S. Coast Guard; the Director, U.S. Citizenship and Immigration Services (CIS); and the Inspector General (IG).

M. **OE CFOs**: Individuals designated as the primary financial manager for each OE, regardless of position title.

N. **Service Level Agreement**: Formal agreement that defines customer service expectations and responsibilities between DHS Mission OEs and support service providers, whether internal or external. SLAs are defined or renewed annually and are used to communicate baseline mission service requirements. SLAs will be signed by the responsible official providing the service, the responsible official receiving the service and the DHS CFO.

## V. Responsibilities

A. **The Secretary** has ultimate authority, accountability and responsibility for all financial management within DHS. As permitted by law and regulation, the Secretary has delegated those authorities to the Under Secretary for Management.

B. **The Under Secretary for Management**

1. The Under Secretary for Management is responsible for establishing the general policy direction for all Financial Management programs within the Department. As permitted under law and regulation, in order to carry out Financial Management responsibilities, the Under Secretary for Management, through this Directive, redelegates Financial Management authority to the DHS Chief Financial Officer. The Under Secretary is also responsible for ensuring the strategic plans are coordinated with, and mutually supportive of, the efforts of the other LOB Chiefs. These include the CFO, Chief Procurement Officer (CPO), Chief Human Capital Officer (CHCO), Chief Information Officer (CIO) and Chief Administrative Services Officer (CAO). This continuous review by the Under Secretary serves to ensure that supportive and complementary integration between or among functions as well as within the functions identified and completed.

2. The Undersecretary for Management, with the LOB Chiefs, is responsible and accountable for designing the optimum Department-wide integrated systems to continuously improve mission support. This requires a team approach, working in collaboration with all OEs, to drive performance excellence in each function in order to create the most progressive support system possible.

C. **OE Heads**

1. OE Heads all must recognize their shared, related and interdependent responsibility to collaborate and deliver effective, efficient Financial Management services throughout the Department on behalf of the American taxpayer. In addition, OE Heads all must recognize the unique challenges presented by the mission of the DHS, and plan to ensure the continued delivery of effective Financial Management services in the event of National emergencies and disasters.

2. OE Heads will work together to achieve organizational and systems alignment over time such that coherent, analogous organizational structures between OEs and the Department are built to foster greater efficiency and clarity.

3. The OE Head, in addition to other duties, is responsible for:
- a. Ensuring that Financial Management as defined in this directive is carried out effectively and efficiently in support of mission accomplishment and functional integration goals.
  - b. Supporting and enforcing the tenets of functional excellence as defined by DHS CFO.
  - c. Supporting and implementing the annual goals established in collaboration with the DHS CFO.
  - d. Incorporating DHS CFO input into performance appraisals, bonus or award recommendations, pay adjustments, and other forms of commendation of OE Key Financial Management Officials. In the spirit of dual-accountability, the OE Head and the Under Secretary for Management will confer to resolve any issues.
  - e. Collaborating with DHS CFO in recruiting and selecting Key Financial Management Officials, in the following manner:
    - (1) Seek the concurrence of the DHS CFO on the qualification standards, including knowledge, skills, and abilities (KSAs) or competencies for said position(s);
    - (2) Seek the assistance of the DHS CFO in identifying candidates for consideration;
    - (3) Provide the DHS CFO the opportunity to participate in the interview process of the best qualified list of candidates; and
    - (4) Seek the concurrence of the DHS CFO on the final selection.
  - f. Ensuring the OE CFO is organizationally placed at a senior level and is included in the strategic leadership team in the OE.
  - g. Advising and collaborating with the Under Secretary for Management on any OE reorganization or restructuring plans that will result in functional realignments outside of the line of business and any action that would reduce stature or level within the line of business.

h. With the DHS CFO, and through the OE CFOs, collaborating to support the appropriate resources are made available for all DHS-wide CFO initiatives and providing the direction required to achieve CFO functional excellence.

i. Seeking DHS CFO's input in matters pertaining to Financial Management.

D. **The DHS CFO** is responsible for:

1. Conducting program reviews and, in turn, recommending program improvements, corrective actions and, if necessary, revocation of delegated authorities in the specific function.

2. Exercising the authorities delegated by law, executive order, or regulation, or as assigned by the Secretary.

3. Advising and assisting the Secretary, Deputy Secretary, Under Secretary for Management, OE Heads, and other senior officials in carrying out DHS' responsibilities for all Financial Management activities relating to the programs and operation of the Department, including, but not limited to, the impact of Financial Management on DHS policy and mission accomplishment; and developing and maintaining a Department-wide accounting and Financial Management system, including financial reporting and internal controls.

4. Communicating and implementing the Secretary's and Under Secretary for Management's leadership directions related to Financial Management.

5. Designing, in collaboration with the CFO Council, the optimum structure, processes, and systems to support both Departmental and OE mission and goals and to achieve functional excellence. This includes defining performance metrics and the use of service level agreements by which the OE can measure the performance of delivered services.

6. Establishing Department Financial Management priorities, policies, processes, standards, guidelines, and procedures. In the spirit of dual-accountability, the OE Head and the Under Secretary for Management will confer to resolve any issues.

7. Collaborating with OE Heads in recruiting and selecting Key Financial Management Officials, in the following manner:
  - a. Concurring on the qualification standards including KSAs or competencies for said position(s) with the OE Head and where appropriate with the OE CFO;
  - b. Assisting in identifying candidates for consideration;
  - c. Opting to participate in the interview process of the best qualified list of candidate(s); and
  - d. Concurring in the final selection made by the OE Head.
8. The DHS CFO will provide the OE CFO written performance objectives for the financial management area at the start of the performance cycle. The DHS CFO will, in turn, provide input/feedback to the rating official for the OE CFO's accomplishment of those objectives, and will provide input on bonus or award recommendations, pay adjustments, and other forms of commendation.
9. Re-delegating certain authorities to OE CFOs, as necessary, to ensure their appropriate and efficient administration of the Financial Management functions.
10. Providing the Department's Secretary, Deputy Secretary, and OE Heads an annual evaluation of Financial Management performance. This will include an assessment of each OE's functional performance. Reports will be prepared by the end of the first quarter of each fiscal year and will include the President's Management Agenda (PMA), the DHS Strategic Plan, and other program metrics as they are established.
11. Analyzing workforce requirements for functional personnel to establish recommended staffing and resource level parameters and guidelines for each OE to consider.
12. Establishing and chairing a CFO Council.
13. Ensuring the integration of Financial Management as described in this directive, and reviewing Financial Management activities to eliminate redundancies where appropriate.
14. Reviewing and approving, in conjunction with the DHS LOB chiefs, their respective budgets, as well as monitoring the execution of those budgets across the Department.



15. Department-wide oversight of all Financial Management activities as defined in this directive.

E. **OE CFOs** are responsible for:

1. Holding the concept of Command Integrity intact and complying with all Federal laws.
2. Reporting to OE Heads, directly or indirectly.
3. Effective Financial Management in support of OE mission, goals, and objectives.
4. Complying with and implementing Departmental Financial Management policies and procedures established by the DHS CFO.
5. Soliciting annual program guidance and key areas of emphasis from the DHS CFO for their personal performance elements and cascading this emphasis through their Financial Management organizations and OE, as appropriate.
6. Developing and reviewing OE budget formulation and execution.
7. Advising the DHS CFO concerning the mission and business needs, issues, or concerns of their organizations.
8. Ensuring that their respective Financial Management staffs provide quality and timely support to their OE's mission requirements.
9. Complying with service levels and duties specified in SLAs.
10. Fully participating in DHS' CFO Council and supporting CFO Council decisions.
11. Serving as co-chairs on various functional integration activities.
12. Providing a reasonable number of detailees to the Department / eMerge<sup>2</sup> request of the DHS CFO when such support does not compromise mission effectiveness.
13. Establishing training programs to improve the financial workforce's competencies, subject to resource availability.
14. Providing annual reports to the DHS CFO on OE CFO staffing plans.

- F. **The DHS CFO Council** is responsible for:
1. Establishing a Departmental Financial Management strategic plan and setting priorities for the Financial Management function.
  2. Rationalizing priorities to best capitalize on Financial Management resources.
  3. Defining and continuously improving DHS Financial Management governance structures, processes, and performance.
  4. Developing and implementing Financial Management policies, processes, best practices, performance measures, and decision criteria for managing the delivery of Financial Management services and activities.
  5. Establishing Centers of Excellence, boards, and working groups tied to DHS' CFO Council priorities.
  6. Developing and executing formal communications programs for internal and external constituencies.
  7. Supporting the DHS CFO in the designing, planning, and implementing Financial Management integration plans.
- G. The **BTS Under Secretary** is responsible for assisting in the coordination of Financial Services activities between the DHS CFO and the OE CFOs of agencies in the BTS Directorate. The BTS Under Secretary will facilitate the dotted line reporting relationship between the DHS CFO and OE CFOs of agencies in the BTS Directorate, promoting communication, feedback, and cooperation along the chain of command.
- H. **All DHS Financial Management employees** are responsible for being knowledgeable of and complying with policies and programs established by the DHS CFO and appropriate OE CFOs, and for conforming to applicable laws and regulations. The DHS CFO organization will provide training and/or guidance, from time to time, on Financial Management to assist employees, including OE CFOs and other senior Financial Management executives, to develop their knowledge of CFO operations, policies, procedures, and programs.

## VI. Policy & Procedures

### A. Policy

1. It is the policy of DHS that the Office of the DHS CFO shall serve as the foundational DHS organization through which all Department-wide Financial Management activities and services will be overseen, defined, and measured.
2. **Authority and Accountability for Integration.** The DHS CFO, through the DHS CFO Council and its centers of excellence, shall design, direct, and oversee the implementation of the integration of Financial Management across the Department to improve mission support quality and efficiency. OE Heads, OE CFOs, and the DHS CFO will all share accountability to the Secretary for successful planning and implementation of functional integration and adherence to this Management Directive.

### B. Principles

Functional integration will rely on the following principles:

1. Focus on Mission.
2. Recognize our employees as our most valuable asset and make the investments in their career development and professional growth.
3. Plan rigorously and implement when success is likely.
4. Continuously assess and improve operational effectiveness.

### C. Procedures

1. Financial Management functional integration will be driven by the following:
  - a. **Policies & Processes:** DHS will standardize Financial Management policies and appropriate procedures across the Department to ensure functional excellence. This will be an ongoing effort.
  - b. **Systems:** The Department will continue to consolidate and integrate the number of systems supporting the Department's Financial Management functions, ensuring such action results in efficiencies and does not compromise mission effectiveness.

c. **Organizations:** A guiding principle of the DHS CFO will be to consolidate the number of organizations that perform the same function and create centers of excellence ensuring such action results in efficiencies and does not compromise mission effectiveness.

2. **Integration Milestones.** The DHS CFO, in collaboration with the OE Heads and CFO Council, will annually establish milestones for the functional integration of Financial Management activities.

3. **Performance Metrics.** To track progress and OE CFO and financial management organizations, the DHS CFO will annually recommend certain key performance metrics to OE Heads and OE CFOs. Some suggested performance metrics will be relevant to all DHS OEs, and some will differ by OE.

4. **Service Level Agreements.** All SLAs between DHS OEs and support service providers (both internal and external) will include:

- a. Resources Required
- b. Performance Period
- c. Performance Metrics and Reporting
- d. Responsibilities
- e. Funding Mechanism
- f. Terms and Pricing for Services
- g. Dispute Resolution Process
- h. Corrective Action Plans
- i. Termination Policy
- j. Continuous Improvement Goals
- k. Signatures of the Responsible Director for the Provider, the Receiver of Service, and the DHS CFO
- l. Other content as determined by the DHS CFO Council

D. **Implementation** of these policies and programs may be delegated to managers and supervisors responsible for managing assigned personnel. Managers and supervisors at all levels are accountable for the execution of responsibilities within the framework of Federal and DHS policies.

## VII. Questions

Questions or concerns regarding this directive should be addressed to the Office of the DHS CFO.

Dated: October 28, 2004

  
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Tom Ridge  
Secretary of Homeland Security