

**Statement of Andrew B. Maner  
Chief Financial Officer  
Department of Homeland Security  
Before the House Government Reform Committee  
Subcommittee on Government Efficiency and Financial Management  
March 10, 2004**

Thank you Mr. Chairman, for the opportunity to be here and discuss the Department of Homeland Security's progress in the area of financial management. I would also like to thank Congress, and specifically this subcommittee, for its commitment to assisting DHS in this critical area.

While I have only been in my job as Chief Financial Officer for 2 months, I have been part of DHS since its inception; serving at U.S. Customs as its Chief of Staff since early 2002. Adding this experience to my previous business education and experience in the private sector, I am keenly aware of the importance of sound financial management practices to overall successful management and the importance decisions made at the department level have on bureau operations and visa versa. I am driven daily by the need to provide a base of financial management goals, practices and systems that will aid the Department for decades to come and am energized by the opportunity to assist our leadership in this endeavor.

Last week at DHS we celebrated the one-year anniversary of the Department. All of us at the Department are very proud of the progress we have made in these past twelve months. Specifically, in the Office of the CFO, I am very encouraged by the accomplishments of last year and the goals for this year. While dealing with the enormous challenges involved in standing up the 3<sup>rd</sup> largest Department, we have still managed to make tremendous headway in unifying and strengthening the Department's financial management, accounting, budgeting, strategic planning, and performance measurement processes and systems.

In the past year, we streamlined the number of financial management service providers in the Department from nineteen to ten. We are implementing a consolidated bankcard program that is reducing the significant number of bankcard programs for purchase, travel, and fleet throughout the Department among the 22 legacy entities to three. We developed and delivered to Congress on time, the Department's FY 2005 President's Budget and accompanying Congressional Justifications. We instituted and recently collected preliminary data for the Department's five-year budget and planning program. We subjected ourselves to and successfully completed an audit of our consolidated FY 2003 financial statements. We have also made strides in our attempt to build one financial system for the Department. We submitted our Department's first Strategic Plan and we continued to work in perfecting a robust investment review and joint requirements process. Most importantly, all of this has been accomplished with no negative impact on mission operations.

While we have much to be proud of, much remains to be done. Like my predecessor, Bruce Carnes, who should be commended for the outstanding leadership and vision he provided the Department at a key time, I am committed to four overall management goals:

- Increase efficiency and effectiveness by producing financial data that is timely, reliable, and useful to decision makers;
- Strengthen accountability by ensuring that internal controls are in place across the Department and appropriate oversight reviews are conducted;
- Manage costs by consolidating functions, systems, and processes and by instituting best business practices; and
- Achieve results through the use of rigorous planning, measurement and evaluation processes.

To carry out these goals, we will focus on the people, processes, and systems in the areas of financial management, financial systems, and programs, analysis and evaluation. I would like to take this opportunity with you here today to tell you where we are and where we are going in our drive towards achieving these goals and in making DHS the model of management excellence.

### **Financial Management**

One of our greatest accomplishments is that only two months after its creation, DHS took on the tremendous challenge of subjecting ourselves to the rigors of a consolidated financial statement audit. The challenges were complicated by the obstacles in coordinating the efforts of 19 separate and distinct accounting offices and the unfamiliarity of several bureaus in facing audits for the first time. The Office of the Chief Financial Officer designed and implemented the methodologies and controls necessary to produce consolidated statements. In the span of two months, the Department was able to submit quarterly financial statements to OMB. This demonstrated an ability to comply with the full gauntlet of requirements outlined by OMB for consolidated financial statements. The Department successfully completed the audit and submitted the Performance and Accountability Report (PAR) to OMB. More noteworthy was the ability to pass the scrutiny of audit to the extent necessary to support a qualified opinion on the September 30 balance sheet. The 2003 audit was paramount for the Department to have a basis for improvement in 2004. Although the audit identified seven material weaknesses, this was a substantial improvement over the 18 material weaknesses that were inherited from the DHS components' legacy agencies. This means that nine material weaknesses were either corrected or partially corrected. The rest were consolidated into seven. Nevertheless, we are committed to resolving these remaining weaknesses and have set forth an aggressive plan to do so. By March 31, 2004, corrective actions will be developed by each applicable bureau/office and submitted to the OCFO. We will implement a DHS-wide tracking system to monitor the corrective action status. And, commencing April 2004, we will monitor the status of corrective actions through quarterly Clean Action Plan (CAP) meetings with each bureau or entity that has outstanding material weaknesses.

I am also confident that DHS is taking the proper steps now to submit its FY 2004 PAR, including audited financial statements, by the accelerated due date of November 15, 2004. This year's effort will benefit from the methodologies developed and lessons learned from the first year audit. Many bureaus that faced audits for the first time in FY 2003 have made major strides in upgrading their systems and training their staff in

dealing with the rigors of the audit. We have also centralized and automated many of the consolidated monthly reporting requirements. This will yield substantial economies of scale and will free up bureau accounting personnel for other PAR activities.

### **Financial Systems**

Essential to sound financial management is a sound and robust financial management system. When DHS was created, we inherited over 100 resource management systems from the 22 agencies that were merged to create DHS. Few of these systems are integrated, several are outdated and many have limited functionality. To address this problem, the Department has undertaken a resource transformation initiative entitled *eMerge<sup>2</sup>*. The goal of *eMerge<sup>2</sup>*, which stands for “*electronically Managing enterprise resources for government effectiveness and efficiency*”, is to improve resource management and enable the bureaus to move “Back Office” effectiveness and efficiency to “Front Line” Operations. *eMerge<sup>2</sup>* is a business-focused program that seeks to consolidate and integrate the Department’s budget, accounting and reporting, cost management, asset management, and acquisitions and grants functions. Once procured and developed, the solution will be rolled out in several phases focusing first on those organizations most in need of improved basic financial management services. *eMerge<sup>2</sup>* is currently in the midst of an exhaustive requirements definition and design phase, which is expected to evolve into a solutions acquisition phase this summer. As *eMerge<sup>2</sup>* is implemented over the next few years, it will greatly enhance Departmental visibility, oversight and accountability of component operations and financial management.

### **Programs, Analysis and Evaluation**

Sensible financial management requires informed financial and management decisions. To ensure policy decisions are made based on sound rationale, such as a program’s contribution to our strategic goals and measurable results, DHS has put in place a comprehensive planning, evaluation, and investment review process.

At the core of this process is the Future Years Homeland Security Program FYHSP. Section 874 of the Homeland Security Act of 2002, requires the Department to prepare the FYHSP. The FYHSP will ensure current and out year program requirements are properly planned, identified, aligned with DHS goals and priorities and have measurable meaningful performance outcomes. The Department’s first FYHSP will be provided to Congress this spring.

In addition, the Department’s first high-level Strategic Plan was released in February. This Strategic Plan sets forth the vision and mission statements, core values, guiding principles and strategic goals and objectives that provide the framework to guide the actions that make up the daily operations of the Department. The Department’s FY 2005 budget request is tied to the strategic plan and provides annual performance measures for each agency.

Holding managers accountable for achieving established goals and results is integral to DHS’s financial management and planning. Towards this end, the

performance budget forges a strong link between resources and performance, shows what is being accomplished with the money being spent, and establishes accountability for the levels of performance achieved. The Program Assessment Rating Tool (PART) complements the performance budget by providing the Department an objective means of assessing the value and contribution of individual programs to achieving the Department's objectives. It also provides a tool for assessing how the program is being managed.

In the past year, an Investment Review Board (IRB) and Joint Requirements Council (JRC) were established and their structures refined to ensure the proper identification, prioritization and evaluation of cross-cutting investment opportunities both within and outside the Department and to ensure optimal allocation of resources.

Specifically, the IRB and JRC review major capital investments to:

- Integrate Departmental priorities, resource planning, investment control, budgeting, acquisition, and investment management to ensure resources are wisely used.
- Ensure that spending directly supports and furthers DHS's mission and provides optimal benefits and capabilities to stakeholders and customers.
- Identify poorly performing programs and investments so corrective actions can be taken.
- Identify duplicative efforts for consolidation and mission alignment when it makes good sense or when economies of scale can be achieved.

### **H.R. 2886, Department of Homeland Security Financial Accountability Act**

Like many others, I appreciate and applaud the objectives of H.R. 2886, the "Department of Homeland Security Financial Accountability Act" and the companion Senate bill, S. 1567. As the CFO of DHS, I commend all relevant efforts by the executive and legislative branches to make our controls tighter and to provide financial managers better tools to complete our mission more efficiently and effectively.

That said, I do believe that much of what is contemplated in the legislation may not be critical or necessary to DHS at this juncture. The current design and mandate of my position and the office that I manage, some of which was set out in the Homeland Security Act, is working very effectively and I believe should be given time to work. I also believe that this legislation will not alter the way in which I perform my job, nor will it provide me any tools, reporting structures, or authorities that I do not have today. Today, DHS complies with the provisions of the Chief Financial Officers Act of 1990 and will continue to do so.

One provision I would like to discuss specifically, which the House is considering and the Senate included in S 1567, is one that would require an audit of the Department's internal controls beginning in 2005. There are several factors that lead me to believe that this should not be mandated in this legislation at this time. They include:

- Such an audit would be costly in dollars and staff time and would not bring the level of benefits to the agency that it might be intended to provide.
- DHS still receives financial management and payroll services from several external sources that would not be included in such an internal controls audit. Examples include: much of DHS payroll services are provided by the National

Finance Center; the Bureau of Public Debt provides financial management for the DHS Inspector General; and the Department of Justice provides financial management for the Office of Domestic Preparedness.

- DHS continues to realign its resources into an organization structure that will efficiently utilize its resources. Examples include: major components of the Directorate for Border and Transportation Security and the U.S. Citizenship and Immigration Services are reconfiguring the assets and personnel of legacy Immigration and Naturalization Service and the U.S. Customs Service; the Federal Air Marshals are in the process of transferring assets and personnel from the Transportation Security Administration into ICE; and the Department is requesting approval to transfer the Strategic National Stockpile back to HHS.
- The current audit of financial statements includes testing of internal controls to the extent necessary to support an audit opinion on the statements. The financial statement testing will identify material weakness in internal controls and other reportable conditions related to financial reporting. I believe consideration should be given to postponing the effective date of this Act until after a cost benefit analysis is conducted to determine if the benefits of an audit of internal controls is justified by the extra costs incurred to conduct the audit.

### **Closing**

In closing, I would like to thank the Committee again for the opportunity to appear before you here today and assure you that the Department and I are committed to achieving the goals we have established. We have already made great progress under challenging circumstances. Now, with a strong, growing and motivated staff and the continued support of DHS leadership, OMB and Congress, I am confident we will realize even greater progress in this, our second year of the Department.

I would now be happy to answer any questions you may have.