



HOMELAND SECURITY COMMITTEE

Statement of Subcommittee Chairman Scott Perry (R-PA) Subcommittee on Oversight and Management Efficiency

“DHS Financial Systems: Will Modernization Ever Be Achieved”

September 26, 2017

Remarks as Prepared

As the third largest federal cabinet agency, the Department of Homeland Security (DHS) has a duty to be an effective steward of taxpayer dollars. Sound management of its finances is vital to implementing the homeland security mission. With a multitude of priorities including responding to major emergencies like Hurricanes Harvey and Irma, securing our porous borders, protecting cyberspace, and enforcing our immigration laws, DHS’s senior leadership needs timely financial information to inform its decisions. In addition, DHS needs systems that can be fully protected against the latest cyber threats to ensure personal and other sensitive data isn’t compromised. Unfortunately, the Department’s third, and latest, attempt to modernize its flagging financial systems has failed, and DHS is struggling to determine a solid path forward.

DHS has been attempting to modernize its financial systems for well over a decade. The two previous attempts wasted over \$50 million to build a department-wide integrated financial system. Following these failures, DHS chose to modernize component financial systems with the most critical need first. In 2013, the Obama administration urged agencies to use federal shared service providers to improve financial systems. Shortly thereafter, DHS decided to enter a “discovery phase” with the Interior Business Center (IBC) within the Department of Interior. By August 2014, DHS had entered into an agreement with IBC to modernize systems for the Domestic Nuclear Detection Office, Transportation Security Administration, and the U.S. Coast Guard at a cost of \$79 million. Congressional watchdogs at GAO warned in 2013 that DHS had “an increased risk of, among other things, investing in and implementing systems that do not provide the desired capabilities and inefficiently use resources during its financial system modernization efforts.”

GAO’s prediction came true. Costs for the project have ballooned to over \$124 million as of August—about 60 percent more than the original estimate. However, the truth is that DHS has no idea how much it will cost in the end. TSA’s modernized system will go live over two years later than planned and Coast Guard’s system will not be modernized at all under the current agreement with IBC. This outcome is simply astounding, reprehensible, and unacceptable. It is proof that the Obama administration’s federal shared service provider concept was doomed to fail for such a large agency. GAO attributes the failure to numerous causes: lack of proper planning, aggressive schedule, complex and changing requirements, increased costs, and management and communication failures. DHS is now rushing to implement a new strategy, which will likely put taxpayer dollars at more risk to waste. We are at a critical moment; DHS must fully engage with the

private sector to help salvage this disaster. Leveraging industry's talents is what should have been done in the first place and is the only possible way DHS might right this ship.

As a former small business owner, it baffles me how the federal government can spend over ten years and hundreds of millions of dollars and have so little to show for it. Businesses, large and small, have to modernize systems and processes every day; it may be hard but it doesn't take them decades and hundreds of millions of dollars to do it. Mr. Fulghum, you were on the ground floor of this effort. You were involved in the negotiations with IBC and its implementation as the Chief Financial Officer. I want a full explanation as to how we got here and what's being done to fix this mess. Quite frankly, the magnitude of this failure demands accountability by those in charge and it calls into question the Management Directorate's ability to lead critical management issues facing DHS in the future.

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