



Other Information

The ***Other Information*** section contains information on Tax Burden/Tax Gap, Schedule of Spending, Summary of Financial Statement Audit and Management Assurances, Improper Payments Act, Freeze the Footprint, and Other Key Regulatory Requirements. Also included in this section are the OIG's Summary of Major Management and Performance Challenges Facing the Department of Homeland Security and Management's Response.

Unaudited, see accompanying Auditors' Report

Tax Burden/Tax Gap

Revenue Gap

The Entry Summary of Trade Compliance Measurement (TCM) program collects objective statistical data to determine the compliance level of commercial imports with U.S. trade laws, regulations and agreements, and is used to produce a dollar amount for Estimated Net Under-Collections, and a percent of Revenue Gap. The Revenue Gap is a calculated estimate that measures potential loss of revenue owing to noncompliance with trade laws, regulations, and trade agreements using a statistically valid sample of the revenue losses and overpayments detected during TCM entry summary reviews conducted throughout the year.

Entry Summary of Trade Compliance Measurement (\$ in millions)

	FY 2014	FY 2013
Estimated Revenue Gap	\$192.5	\$627.9
Preliminary Revenue Gap of all collectable revenue for year (%)	0.44%	1.51%
Estimated Over-Collection	\$24.6	\$108.8
Estimated Under-Collection	\$217.2	\$736.7
Overall Trade Compliance Rate (%)	98.0%	97.1%

The preliminary overall compliance rate for Fiscal Year (FY) 2014 is 98 percent. The final overall trade compliance rate and estimated revenue gap for FY 2014 will be issued in February 2015.

Schedule of Spending

The Schedule of Spending (SOS) presents an overview of how departments or agencies are spending money. The SOS presents total budgetary resources and total obligations incurred for the reporting entity. Obligations incurred reflect an agreement to either pay for goods and services, or provide financial assistance once agreed upon conditions are met. The data used to populate this schedule is the same underlying data used to populate the Statement of Budgetary Resources (SBR). Simplified terms are used to improve the public's understanding of the budgetary accounting terminology used in the SBR.

USASpending.gov reports obligations incurred for various financial assistance and contracts payment types. The major difference between information presented on the SBR and SOS versus USASpending.gov is that the SBR and SOS present all obligations incurred for the fiscal year; whereas USASpending.gov reports only a subset of those obligations related to various types of financial assistance and contracts. For example, the following types of obligations are presented in the SBR and SOS, but are not included in USASpending.gov: personnel compensation and benefits, agreements between Federal Government agencies (referred to as inter-agency agreements), and bankcard purchases below the micro-purchase threshold.

What Money is Available to Spend? This section presents resources that were available to spend as reported in the SBR.

- **Total Resources** refers to total budgetary resources as described in the SBR and represents amounts approved for spending by law.
- **Amounts Not Agreed to be Spent** represents amounts that DHS was allowed to spend but did not take action to spend by the end of the fiscal year.
- **Amounts Not Available to Spend** represents amounts that DHS was not approved to spend during the current fiscal year.
- **Total Amounts Agreed to be Spent** represents spending actions taken by DHS—including contracts, orders, grants, or other legally binding agreements of the Federal Government—to pay for goods or services. This line total agrees to the Obligations Incurred line in the SBR.

How was the Money Spent/Issued? This section presents services or items that were purchased, categorized by Components. Those Components that have a material impact on the SBR are presented separately. Other Components are summarized under Directorates and Other Components, which includes the Domestic Nuclear Detection Office (DNDO), the Federal Law Enforcement Training Centers (FLETC), the Office of Intelligence and Analysis (I&A), the Office of Operations Coordination and Planning (OPS), the Management Directorate (MGMT), the Office of Health Affairs (OHA), the Office of Inspector General (OIG), the National Protection and Programs Directorate (NPPD), the Science and Technology Directorate (S&T), the U.S. Citizenship and Immigration (USCIS), and the U.S. Secret Service (USSS).

For purposes of this schedule, the breakdown of “How Was the Money Spent/Issued” is based on the Office of Management and Budget (OMB) definitions for budget object class found in OMB Circular A-11.

- ***Personnel Compensation and Benefits*** represents compensation, including benefits directly related to duties performed for the government by federal civilian employees, military personnel, and non-federal personnel.
- ***Contractual Service and Supplies*** represents purchases of contractual services and supplies. It includes items like transportation of persons and things, rent, communications, utilities, printing and reproduction, advisory and assistance services, operation and maintenance of facilities, research and development, medical care, operation and maintenance of equipment, subsistence and support of persons, and purchase of supplies and materials.
- ***Acquisition of Assets*** represents the purchase of equipment, land, structures, investments, and loans.
- ***Grants, Subsidies, and Contributions*** represents, in general, funds to states, local governments, foreign governments, corporations, associations (domestic and international), and individuals for compliance with such programs allowed by law to distribute funds in this manner.
- ***Insurance, Refunds, and Other Spending*** represents benefits from insurance and federal retirement trust funds, interest, dividends, refunds, unvouchered or undistributed charges, and financial transfers.

Who did the Money Go To? This section identifies the recipient of the money, by federal and non-federal entities. Amounts in this section reflect “amounts agreed to be spent” and agree to the Obligations Incurred line on the SBR.

The Department encourages public feedback on the presentation of this schedule. Feedback may be sent via email to par@hq.dhs.gov.

Department of Homeland Security
Schedule of Spending
For the Years Ended September 30, 2014 and 2013
(In Millions)

	<u>2014</u>	<u>2013</u>
What Money is Available to Spend?		
Total Resources	\$ 85,320	\$ 95,055
Less Amount Available but Not Agreed to be Spent	14,316	14,916
Less Amount Not Available to be Spent	3,516	3,574
TOTAL AMOUNT AGREED TO BE SPENT	\$ 67,488	\$ 76,565
How Was the Money Spent/Issued?		
<i>U.S. Customs and Border Protection</i>		
Personnel Compensation and Benefits	\$ 9,938	\$ 9,661
Contractual Services and Supplies	3,494	3,142
Acquisition of Assets	785	592
Grants, Subsidies, and Contributions	-	6
Insurance, Refunds, and Other Spending	1,465	1,431
Total Spending	15,682	14,832
<i>U.S. Coast Guard</i>		
Personnel Compensation and Benefits	5,141	5,471
Contractual Services and Supplies	4,822	4,190
Acquisition of Assets	1,245	1,205
Grants, Subsidies, and Contributions	26	31
Insurance, Refunds, and Other Spending	151	85
Total Spending	11,385	10,982
<i>Federal Emergency Management Agency</i>		
Personnel Compensation and Benefits	1,073	1,189
Contractual Services and Supplies	1,527	2,309
Acquisition of Assets	179	776
Grants, Subsidies, and Contributions	9,885	10,953
Insurance, Refunds, and Other Spending	2,202	10,826
Total Spending	14,866	26,053
<i>U.S. Immigration and Customs Enforcement</i>		
Personnel Compensation and Benefits	2,896	2,891
Contractual Services and Supplies	3,132	2,758
Acquisition of Assets	232	123
Insurance, Refunds, and Other Spending	49	13
Total Spending	6,309	5,785

(Continued)

Department of Homeland Security
Schedule of Spending
For the Years Ended September 30, 2014 and 2013
(In Millions)

	<u>2014</u>	<u>2013</u>
<i>Transportation Security Administration</i>		
Personnel Compensation and Benefits	4,606	4,662
Contractual Services and Supplies	2,213	2,893
Acquisition of Assets	291	225
Grants, Subsidies, and Contributions	81	80
Insurance, Refunds, and Other Spending	3	4
Total Spending	<u>7,194</u>	<u>7,864</u>
<i>Directorates and Other Components</i>		
Personnel Compensation and Benefits	4,049	3,905
Contractual Services and Supplies	7,440	6,435
Acquisition of Assets	429	545
Grants, Subsidies, and Contributions	144	141
Insurance, Refunds, and Other Spending	(10)	23
Total Spending	<u>12,052</u>	<u>11,049</u>
<i>Department Totals</i>		
Personnel Compensation and Benefits	27,703	27,779
Contractual Services and Supplies	22,628	21,727
Acquisition of Assets	3,161	3,466
Grants, Subsidies, and Contributions	10,136	11,211
Insurance, Refunds, and Other Spending	3,860	12,382
TOTAL AMOUNT AGREED TO BE SPENT	<u>\$ 67,488</u>	<u>\$ 76,565</u>
Who Did the Money Go To?		
Non-Federal Obligations	\$ 51,392	\$ 65,240
Federal Obligations	16,096	11,325
TOTAL AMOUNT AGREED TO BE SPENT	<u>\$ 67,488</u>	<u>\$ 76,565</u>

Summary of Financial Statement Audit and Management Assurances

Table 1 and Table 2 below provide a summary of the financial statement audit results and management assurances for FY 2014.

Table 1: FY 2014 Summary of the Financial Statement Integrated Audit Results

Audit Opinion	Unmodified				
Restatement	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting	1				1
IT Controls & System Functionality	1				1
Property, Plant & Equipment	1				1
Budgetary Accounting	1				1
Total Material Weaknesses	4	0	0	0	4

In FY 2014, the Independent Auditor's Report on the integrated financial statement audit identified four material weakness conditions at the Department level. Corrective actions were implemented by management, which resulted in several conditions at the Component levels being reduced in severity or resolved from prior year. For example, USCG strengthened its controls surrounding the accuracy of its liabilities. Specifically, USCG sustained its implemented processes to validate prior year accounts payable estimates, and the calculation and recording of contingent liabilities resulting the downgrade of the prior year significant deficiency. In addition, ICE and USCIS remediated prior year control deficiencies and strengthened its controls over Information Technology (IT) system security and improved its overall general IT control environment.

In FY 2014, the Department is providing reasonable assurance on internal controls over financial reporting, with the exception of four material weaknesses identified in Table 2. Management has performed its evaluation, and the assurance is provided based upon the cumulative assessment work performed on Entity Level Controls, Financial Reporting, Budgetary Resources, Environmental Liabilities, Fund Balance with Treasury, Human Resources and Payroll Management, Payment Management, Insurance Management, and Revenue and Receivables. DHS management has remediation work to continue in FY 2015; however, no additional material weaknesses were identified as a result of the work performed in these business process areas. The following table provides those areas where material weaknesses were identified and remediation work continues.

Table 2: FY 2014 Effectiveness of Internal Control Over Financial Reporting

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA SECTION 2)					
Statement of Assurance	Qualified				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting	1				1
IT Controls & System Functionality	1				1
Property, Plant & Equipment	1				1
Budgetary Accounting	1				1
Total Material Weaknesses	4	0	0	0	4
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA SECTION 2)					
Statement of Assurance	Unqualified				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None noted	0				0
Total Material Weaknesses	0	0	0	0	0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEMS REQUIREMENTS (FMFIA SECTION 4)					
Statement of Assurance	SYSTEMS DO NOT FULLY CONFORM WITH FINANCIAL SYSTEM REQUIREMENTS				
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Federal Financial Management Systems Requirements, including Financial Systems Security & Integrate Financial Management Systems	1				1
Noncompliance with the U.S. Standard General Ledger	1				1
Federal Accounting Standards	1				1
Total Non-Conformances	3	0	0	0	3
COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)					
	DHS		Auditor		
1. System Requirements	Lack of substantial compliance		Lack of substantial compliance		
2. Accounting Standards	Lack of substantial compliance		Lack of substantial compliance		
3. USSGL at Transaction Level	Lack of substantial compliance		Lack of substantial compliance		

Effectiveness of Internal Control Over Financial Reporting

Pursuant to the *Department of Homeland Security Financial Accountability Act*, the Department has focused its efforts on evaluating corrective actions to assess whether previously reported material weaknesses continue to exist. In cases where material weaknesses continue to exist, the Department focused on identifying significant financial reporting areas where assurance can be provided and developed interim compensating measures to support the Secretary’s commitment to obtain a clean opinion on all financial statements. Since FY 2005, DHS reduced audit qualifications from 10 to zero and material weaknesses by more than half. For the ninth consecutive year, we have made progress strengthening Department-wide internal controls over financial reporting, as evidenced by the following FY 2014 achievements:

- MGMT strengthened its internal controls over Budgetary Accounting by sustaining key processes to communicate with trading partners on a regular basis to reconcile unfilled customer/undelivered order balances.
- USCG implemented corrective actions over prior year policy and procedures weaknesses over Budgetary Accounting related to budget execution reconciliation and reporting activities. In addition, USCG strengthened its internal controls over the reporting of liabilities resulting in a downgrade of the prior year significant deficiency USCG continues to implement corrective actions over updating policies and procedures for the monthly execution reporting process, funds transfers, funds control, and reviewing aging obligations.
- The Chief Financial Officer (CFO) and Chief Information Officer partnered to provide direct assistance to Components in executing financial system security corrective actions and performing validation and verification procedures, resulting continued risk reductions of system security vulnerabilities at ICE and USCIS.

Significant internal control challenges remain in the areas of Financial Reporting; IT Controls and System Functionality; and PP&E. To support the remediation effort, the Department's CFO has initiated a financial system modernization initiative to address the Component's challenges with remediating the existing material weaknesses and non-compliance with federal financial systems requirements. The CFO conducts monthly risk management meetings with applicable Components, senior management, and staff.

Table 3 summarizes financial statement audit material weaknesses in internal controls as well as planned corrective actions with estimated target correction dates.

Table 3: FY 2014 Internal Control Over Financial Reporting Corrective Actions

	Component	Year Identified	Target Correction
Material Weakness	USCG, MGMT, NPPD, ICE, AND USSS	FY 2003	FY 2015
Financial Reporting	USCG did not establish an effective financial reporting process due to the lack of integrated financial processes and systems resulting in heavy reliance on manual processes. The USCG materially contributes to the Department's overall material weakness. The other Components experienced challenges in deficiencies in multiple business processes directly impacting financial reporting.		
Corrective Actions	The DHS CFO will continue to support Components in implementing corrective actions to establish effective financial reporting control activities.		

Material Weakness	Component	Year Identified	Target Correction
	CBP, FEMA, and USCG	FY 2003	FY 2015
IT Controls and System Functionality	The Department's Independent Public Auditor has identified Financial Systems Security as a material weakness in internal controls since FY 2003 due to inherited control deficiencies surrounding general computer and application controls. CBP, FEMA, and USCG primarily contribute to the Department's overall material weakness. The <i>Federal Information Security Management Act</i> mandates that federal agencies maintain IT security programs in accordance with OMB and National Institute of Standards and Technology guidance. In addition, the Department's financial systems do not fully conform to the <i>Federal Financial Management Improvement Act (FFMIA)</i> .		
Corrective Actions	The DHS CFO and CIO will support CBP, FEMA, and USCG in the design and implementation of internal controls in accordance with DHS 4300A, <i>Sensitive Systems Handbook, Attachment R: Compliance Framework for CFO Designated Financial Systems</i> . In addition, the Department will continue to move forward with financial system modernization that will provide substantial compliance with FFMIA.		

Material Weakness	Component	Year Identified	Target Correction
	USCG and CBP	FY 2003	FY 2015
Property, Plant, and Equipment (PP&E)	The controls and related processes surrounding PP&E to accurately and consistently record activity are either not in place or contain errors and omissions.		
Corrective Actions	USCG and CBP will implement and sustain policies and procedures to support completeness, existence, and valuation over its PP&E. The DHS CFO will continue efforts to support USCG and CBP implementing corrective actions to address capital asset conditions and develop policies and procedures to establish effective property management and internal controls over financial reporting activities.		

Material Weakness	Component	Year Identified	Target Correction
	USCG, FEMA, ICE, NPPD, and MGMT	FY 2004	FY 2015
Budgetary Accounting	Significant deficiencies remain within the Budgetary Resource Management process such as the lack of fully implemented policies and procedures, untimely obligations, ineffective funds controls, and the lack of effective verification and validation of obligations. USCG, FEMA, ICE, NPPD, and MGMT contribute to the overall Department level material weakness.		
Corrective Actions	The Department will continue to support the Components with implementing corrective actions to establish effective financial reporting control activities including funds controls, effective contract and obligation management, and validation of undelivered orders.		

Effectiveness of Internal Control Over Operations

The DHS Management Directorate is dedicated to ensuring that Departmental offices and Components perform as an integrated and cohesive organization, focused on the Department's frontline operations to lead efforts to achieve a safe, secure, and resilient homeland. Critical to this mission is a strong internal control structure. As we strengthen and unify DHS operations and management, we will continually assess and evaluate internal controls to ensure the effectiveness and efficiency of operations and compliance with laws and regulations. We have made tremendous progress in strengthening Department-wide internal controls over operations, as evidenced by the following FY 2014 achievements:

- The Office of the Chief Human Capital Officer (OCHCO) implemented a new strategic planning framework for the DHS human capital line of business through the cross-component Human Capital Leadership Council and integrated results of the second Quadrennial Homeland Security Review. OCHCO also implemented HRstat, the OPM/OMB-sponsored process that measures human capital line of business performance and completed Department-wide roll-out of the Balanced Workforce Assessment Tool.
- The Office of the Chief Information Officer (OCIO) conducted in-depth technical reviews for 10.3 percent of the Department's information technology (IT) systems to assess quality assurance and validate compliance with DHS security requirements. The OCIO executed annual IT Portfolio Reviews and conducted 13 Departmental TechStat reviews in support of the 25 Point Implementation Plan to Reform Federal Technology Management. These reviews resulted in the cancellation of two programs: 1) NPPD's Risk Assessment and Management Program and 2) ICE's Student Exchange Visitor Information System II, at a total estimated cost avoidance of more than \$14 million. The OCIO completed Program Health Assessments for the 88 programs on the FY 2014 Major Acquisition Oversight List; and over 81 percent of DHS federal and contract staff users across the Nation use the Homeland Security Presidential Directive-12 smartcards for access resulting in DHS exceeding its goal by 6 percent.
- The Office of the Chief Procurement Officer (OCPO) conducted formal staff assessments of two major programs, the DHS National Protection and Programs Directorate's Contiguous Diagnostic and Mitigation program, and the United States Immigration and Customs Enforcement's TECS Modernization program. The assessments identified staffing deficiencies with impacts to each program's execution. The OCPO achieved significant progress in communications with industry. In FY 2014, DHS improved its Acquisition Planning Forecast System database that provides industry, especially small businesses, with information about upcoming DHS procurements exceeding \$150,000 in value. This change will assist industry with determining which procurements to pursue and enhance DHS's competitive procurements in the future. OCPO continued building the DHS acquisition workforce with the graduation of 60 acquisition professionals from the Acquisition Professional Career Program to fill critical positions in contracting, program management, systems engineering, information technology, and cost estimating.
- The Office of the Chief Readiness Support Officer (OCRSO) completed major improvements to DHS asset data through continued implementation of Consolidated Asset Portfolio and Sustainability Information System; restructured the DHS Executive Sedan

Service using contracted drivers and General Services Administration -leased, fuel efficient/hybrid vehicles; strengthened DHS Real Property planning through publication of an Annual Portfolio Report, the new Freeze the Footprint 5 Year Plan, and the new NCR 10 Year Strategic Plan; and worked with GSA to develop an National Capital Region consolidation plan for DHS Headquarters operations.

- The Office of the Chief Security Officer (OCSO) Strengthened CSO Council mechanisms via Security Enterprise Advisory Group and Security Business Enterprise Architecture; conducted Security Compliance Reviews; reduced security clearance backlogs; hired key security lead at sensitive level III bio-hazard research facility with S&T; identified dedicated Office of General Council (OGC) support to OCSO; exercised OCSO devolution site with FLETC; and developed DHS Insider Threat Program.
- The Office of Program Accountability and Risk Management (PARM) improved decision-making and reduced the risks inherent in acquisition program management by conducting 13 Acquisition Review Boards and drafting 40 Acquisition Decision Memoranda for Under Secretary for Management/Chief Acquisition Officer signature. PARM secured USM/Chief Acquisition Officer signature on 39 key acquisition documents in accordance with Management Directive 102-01. To better track acquisition documents in DHS, PARM deployed a consolidated Acquisition Decision Memorandum Governance Library with advanced search SharePoint capabilities. Additionally, PARM implemented the High-Visibility Meeting of Major Acquisition Programs for the USM/Chief Acquisition Officer and Management Chief Executive Officers to provide the status of key DHS Major Acquisitions and to identify and address issues early.

Improper Payments Elimination and Recovery Improvement Act

The *Improper Payments Information Act of 2002* (IPIA) (Pub. L. 107-300), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) (Pub. L. 111-204), requires agencies to annually report information on improper payments to the President and Congress (through their annual Performance and Accountability Report or Agency Financial Report). IPERA also, generally, repealed the Recovery Auditing Act (Section 831, Defense Authorization Act for FY 2002; Pub. L. 107-107). The most recent law, the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA); (Pub. L. 112-248), also amended IPIA. IPERIA strengthened the requirement for government agencies to carry out cost-effective programs to identify and recover overpayments made to contractors, also known as “recovery auditing.” OMB established specific reporting requirements for agencies with programs that possess a significant risk of improper payments and for reporting on the results of recovery auditing activities. As noted below, DHS will implement corrective action plans for all programs with estimated improper error amounts above \$10 million.

In FY 2014, DHS is compliant with the *Improper Payment Elimination and Recovery Improvement Act*. DHS is committed to achieving the most cost effective strategy on the reduction of improper payments. Throughout the years, we have worked together to strengthen program and payment procedures. The results of testing during FY 2014 have yielded estimated error rates under three percent, well below the ten percent threshold set by the Office of Management and Budget.

I. Risk Assessments

In FY 2014, DHS conducted risk assessments on nearly \$63 billion of FY 2013 disbursements for 97 DHS programs, where disbursements exceeded \$10 million. We assessed all payment types except for federal intra-governmental payments which were excluded based on the definition of an improper payment contained in IPERIA.

In late October 2012, Hurricane Sandy devastated portions of the Mid-Atlantic and northeastern United States, leaving victims of the storm and their communities in need of immediate disaster relief aid. On January 29, 2013, the President signed the Disaster Relief Appropriations Act (DRAA). According to DRAA, all federal programs or activities receiving funds under that Act are automatically considered susceptible to significant improper payments, regardless of any previous improper payment risk-assessment results, and are required to calculate and report an improper payment estimate. We tested Hurricane Sandy-related FY 2013 payments for 12 DHS programs receiving this funding. NPPD received intra-governmental funding from FEMA for guard services, therefore, they were 1 of the 12 programs tested.

The susceptibility of programs to make improper payments was determined using both qualitative and quantitative risk analysis. A weighted average of 65 percent for qualitative factors and 35 percent for quantitative risk yields the program’s overall risk score. The risk conditions performed using quantitative and qualitative factors are as follows:

- Payment Processing Controls – Management’s implementation of internal controls over payment processes, including existence of current documentation, the assessment of design and operating effectiveness of internal controls over payments, the identification of

deficiencies related to payment processes and whether or not effective compensating controls are present, and the results of prior IPIA payment sample testing.

- Quality of Internal Monitoring Controls – Periodic internal program reviews to determine if payments are made properly. Strength of documentation requirements and standards to support tests of design and operating effectiveness for payment controls. Presence or absence of compensating controls.
- Human Capital – Experience, training, and size of payment staff. Ability of staff to handle peak payment requirements. Level of management oversight and monitoring against fraudulent activity.
- Complexity of Program – Complexity and variability of interpreting and applying laws, regulations, and standards required of the program.
- Nature of Payments and Recipients – Type, volume, and size of payments. Length of payment period. Quality of recipient financial infrastructure and procedures. Recipient experience with federal award requirements.
- Operating Environment – Existence of factors that necessitate or allow for loosening of financial controls. Any known instances of fraud. Management’s experience with designing and implementing compensating controls.
- Additional Grant Programs Factors – Federal Audit Clearinghouse information on quality of controls within grant recipients. Identification of deficiencies or history of improper payments within recipients. Type and size of program recipients and sub-recipients. Maturity of recipients’ financial infrastructure, experience with administering federal payments, number of vendors being paid, and number of layers of sub-grantees.
- Contract Payment Management – Identification of contract management weaknesses identified in previous payment testing. Discrepancies between contracting officer representatives (COR) reviewing and approving invoices with CORs listed in the contract. Contractors reviewing and approving invoices on behalf of the COR. Lack of familiarity with goods and services listed on invoices. Time available to review invoices prior to payment. Sufficiency of supporting documentation to support invoice amount prior to payment. Completeness of contract file in order to verify agreed upon amounts for goods and/or services.

Based on this year's assessment process, the following programs were deemed to be vulnerable to significant improper payments:

Table 4: Programs at High-Risk for Improper Payments Based on FY 2014 Risk Assessments and Prior Year Payment Sample Testing

(\$ in millions)

Component	Program	FY 2014 Disbursements (Based on FY2013 Actual Data) ²
CBP	Refund & Drawback	\$1,473
	Administratively Uncontrollable Overtime	\$393
	Hurricane Sandy	\$0
FEMA	Emergency Food and Shelter National Board Program	\$119
	Port Security Grant Program	\$558
	Assistance to Firefighters Grant Program	\$336
	Individuals and Households Program – Hurricane Sandy	\$1,559
	National Flood Insurance Program	\$8,720
	Disaster Relief Fund - Travel for Hurricane Sandy	\$179
	Government Charge Card ¹	\$3
	Public Assistance Program ²	\$4,915
	Homeland Security Grant Program ²	\$2,001
	Vendor Pay - Disaster Relief Fund	\$503
	Vendor Pay - Non Disaster Relief Fund	\$609
	Urban Search & Rescue – Hurricane Sandy	\$9
	Disaster Case Management – Hurricane Sandy	\$4
	Disaster Relief Fund Hazard Mitigation Grant – Hurricane Sandy	\$0
	Transit Security Grant Program ²	\$447
Hurricane Sandy Payroll	\$249	
ICE	Enforcement and Removal Operations	\$1,578
NPPD	Hurricane Sandy	\$8
USCG	Hurricane Sandy	\$19
OIG	Hurricane Sandy	\$1
Total Disbursements		\$23,683

Note 1: OMB approved alternative sampling methodology.

Note 2: Selected states and territories were tested for the state-administered programs Homeland Security Grant Program, Public Assistance, and Transportation Security Grant Program. See the notes 3, 4 and 5 in Table 5 for a listing of states and territories tested for these programs in FY 2014. Used OMB approved alternative sampling methodology.

II. Statistical Sampling

We used a statistically valid, stratified sampling design to select and test FY 2013 disbursements. The sampling design and execution was performed by a statistician. Our procedures provided an overall estimate of the percentage of improper payment dollars within ± 2.5 percent precision at the 90 percent confidence level, as specified by OMB M-15-02 guidance for programs as noted above. An expected error rate of 3 to 10 percent of total payment dollars was used in the sample size calculation.

Using a stratified random sampling approach, payments were grouped into mutually exclusive “strata,” or groups based on total dollars. A stratified random sample typically required a smaller sample size than a simple random sample to meet the specified precision goal at any confidence

level. Once the overall sample size was determined, the individual sample size per stratum was determined using the Neyman Allocation method.

The following procedure describes the sample selection process:

- Grouped payments into mutually exclusive strata;
- Assigned each payment a random number generated using a seed;
- Sorted the population by stratum and random number within stratum; and
- Selected the number of payments within each stratum (by ordered random numbers) following the sample size design. For the certainty strata, all payments are selected.

To estimate improper payment dollars for the population from the sample data, the stratum-specific ratio of improper dollars (gross, underpayments, and overpayments, separately) to total payment dollars was calculated.

Test results of DHS programs deemed to be vulnerable to significant improper payments are presented in the following table. Improper payment estimates are based on statistically valid estimates for FY 2013 payments. These estimates are then projected for FY 2014 and beyond, based on the timing and significance of improvements expected from completing corrective actions.

Table 5: FY 2014 IPERIA Test Results

(\$ in millions)

Component	Program	FY 2014 Payment Population (Based on FY 2013 Actual Data)	FY 2014 Sample Size (Based on FY 2013 Actual Data)	FY 2014 Est. Error Amount (Based on FY 2013 Actual Data)	FY 2014 Est. Error Percentage (Based on FY 2013 Actual Data)
CBP	Refund & Drawback	\$1,473	\$110	\$0	0.01%
	Administratively Uncontrollable Overtime ¹	N/A	N/A	N/A	N/A
	Hurricane Sandy	\$0	\$0	\$0	0.00%
FEMA	Emergency Food and Shelter National Board Program	\$119	\$11	\$2	1.47%
	Port Security Grant Program ¹	N/A	N/A	N/A	N/A
	Assistance to Firefighters Grant Program	\$336	\$112	\$0	0.10%
	Individuals and Households Program – Hurricane Sandy	\$1,559	\$10	\$57	3.68%
	National Flood Insurance Program	\$8,720	\$60	\$5	0.05%
	Disaster Relief Fund – Travel for Hurricane Sandy	\$179	\$2	\$0	0.15%
	Government Charge Card ²	\$3	\$1	\$0	8.04%
	Public Assistance Program ^{3,7}	\$2,535	\$1,431	\$12	1.09%
	Homeland Security Grant Program ⁴	\$626	\$280	\$1	0.31%
	Vendor Pay – Disaster Relief Fund	\$503	\$227	\$33	6.56%
	Vendor Pay – Non Disaster Relief Fund ¹	N/A	N/A	N/A	N/A
	Urban Search & Rescue – Hurricane Sandy	\$9	\$9	\$0	0.00%
	Disaster Case Management – Hurricane Sandy	\$4	\$4	\$0	0.00%
	Disaster Relief Fund Hazard Mitigation Grant – Hurricane Sandy	\$0	\$0	\$0	0.00%
	Transportation Security Grant Program ⁵	\$204	\$110	\$0	0.28%
Hurricane Sandy Payroll	\$249	\$1	\$2	0.61%	
ICE	Enforcement and Removal Operations	\$1,578	\$390	\$66	4.18%
NPPD	Hurricane Sandy	\$8	\$7	\$0	0.33%
USCG	Hurricane Sandy	\$19	\$13	\$1	4.10%
OIG	Hurricane Sandy	\$1	\$1	\$0	0.00%
DHS	All Programs⁶	\$18,125	\$2,779	\$179	0.99%
DHS	High Risk Programs⁷	\$6,175	\$2,058	\$168	2.72%

Note 1: Program identified in FY 2014 risk assessment as a program susceptible to high-risk, will be reporting in FY 2015 per the OMB guidance A-123 Appendix C.

Note 2: Alternative Methodology used for FEMA Hurricane Sandy Government Charge Card program testing.

Note 3: Sample testing of the Public Assistance Program was done in two stages covering fourteen states (AK, CT, MA, MD, NJ, NY, OH, OK, OR, PA, PR, VA, VT, and WA). These states paid out \$2,535 million out of a national total of \$4,915 million. The totals in the table are the stage two payment populations for the states tested in FY 2013. DHS exempted Oklahoma from participating in improper payment testing during FY 2013 reporting period due to significant 2013 tornado activity, as resources were needed to support relief efforts. Therefore Oklahoma was included in FY2014 improper payment testing. See Improper Payment Reduction Outlook table below for the national estimated error rate and amount.

Note 4: Sample testing of the Homeland Security Grant Program was done in two stages covering 17 states (AL, HI, IA, ID, IL, IN, KS, ND, NY, OK, RI, SC, TN, VA, WI, WV, and WY). These states paid out \$626 million out of a national total of \$2,001 million. The totals in the table are the stage two payment populations for the States tested. See Improper Payment Reduction Outlook table below for the national estimated error rate and amount.

Note 5: Sample testing of the Transit Security Grant Program was done in two stages covering 10 states (AZ, GA, IA, IN, KY, LA, NE, NY, TN, and WI). These states paid out \$204 million out of a national total of \$447 million. The totals in the table are the stage two payment populations for the states and territories tested. See Improper Payment Reduction Outlook table below for the national estimated error rate and amount.

Note 6: Percentage figures based on cumulative totals.

Note 7: Totals for programs with estimated error amounts of \$10 million or greater as listed in this table.

Several programs considered high-risk based on risk assessment grading were not confirmed as high-risk based on sample test results. Based on the results of sample testing, corrective action plans are required for the following eight programs due to a national estimated error amounts above \$10 million and for FEMA’s Government Charge Card Program for using an alternative testing methodology:

1. ICE’s Enforcement and Removal Operations Program;
2. FEMA’s Disaster Relief Vendor Payments Program;
3. FEMA’s Public Assistance Grant Program;
4. FEMA’s Homeland Security Grant Program;
5. FEMA’s Individuals and Households Program;
6. FEMA’s Transportation Security Grant Program;
7. FEMA’s Government Charge Card Program; and
8. USCG Hurricane Sandy.

III. Corrective Actions

The following tables list corrective actions for programs with estimated improper error amounts above \$10 million. These corrective actions are targeted at addressing the root causes behind administrative and documentation errors caused by the absence of the supporting documentation necessary to verify the accuracy of the claim; or inputting, classifying, or processing applications or payments incorrectly by DHS, a state agency, or a third party who is not the beneficiary. Authentication and medical necessity errors and verification errors were either not identified or were immaterial to the estimated error rates and amounts of DHS high-risk programs.

Status of Prior Year Corrective Action Plans for ICE High-Risk Program(s)

Table 6: Enforcement and Removal Operations Program Corrective Actions

Risk Factors	Corrective Actions	Target Completion Date	Current Status
Category of Error: Lack of contractual documentation to support disbursement			
1. Payments may be made when a proper contracting document does not exist; program offices may establish IROs to obligate for services outside of procurement channels	1. Review current guidance on Internal Recurring Obligations (IRO) and other miscellaneous obligations	December 2013	Completed
	2. Update documentation (Internal Control System, Standard Operating Procedures, etc.) as necessary	December 2013	Completed
	3. Communicate proper procurement procedures for IROs (i.e. wireless communications) and reinforce understanding of proper procurement procedures and contact info for questions	December 2013	Completed
	4. Transition inappropriately issued IROs to blanket purchase agreement calls or other modes of contracting, as necessary	March 2014	Completed
Category of Error: R&A is not performed consistently and properly			
1. Payment may be made for incorrect amounts, items/services that are out of scope, duplicate items billed and services outside the period of performance	1. Review current guidance for CORs on receiving & acceptance	September 2013	Completed
	2. Update guidance for R&A to ensure all proper elements are captured and to ensure R&A is performed by the appropriate official(s) identified in the contract	November 2013	Completed
	3. Conduct mandatory training for all CORs on proper R&A	December 2013	Completed

Risk Factors	Corrective Actions	Target Completion Date	Current Status
2. Receiving & acceptance not performed by authorized COR/Program POC, or COR/Program POC not designated in the contract	4. Distribute periodic communications to reinforce proper procedures and develop procedures for monitoring performance of receipt and acceptance by the appropriate official	April 2014	Completed
Category of Error: COR invoice review and approval is not performed consistently and accurately			
1. Payment may be made for incorrect amounts, items/services that are out of scope, duplicate items billed and services outside the period of performance 2. Invoice review & approval not performed by authorized COR/Program Point Of Contact, or COR/Program POC not designated in the contract	1. Review current guidance for CORs on invoice review and approval	August 2013	Completed
	2. Update guidance for COR invoice review and approval to ensure all proper elements are captured and to ensure invoice review and approval is performed by the appropriate official(s) identified in the contract (signature on invoice?)	December 2013	Completed
	3. Conduct mandatory training for all CORs on proper invoice review and approval	December 2013	Completed
	4. Distribute periodic communications to reinforce proper procedures and develop procedures for monitoring the reviews	June 2013	Completed
Category of Error: Improperly reviewed invoices are paid; three way match is inconsistent			
1. Payment may be made for services outside the period of performance 2. Payment may be made inaccurately due incorrect or missing information, including; contract number, vendor name, vendor address, remittance info, invoice number, invoice date, TIN, DUNS, etc.	1. Review current guidance for accounts payable (A/P) technicians	November 2013	Completed
	2. Update guidance for A/P techs to ensure it includes clear instructions on their responsibility for review	December 2013	Completed
	3. Develop invoice review checklist and reference guide.	February 2014	Completed
	4. Conduct remedial training for A/P techs.	March 2014	Completed
	5. Enhance WebView/FileOnQ and/or FFMS, if necessary to assist with only allowing authorized POCs to perform receive and acceptance (R&A) in order to meet Homeland Security Acquisition Manual requirements	September 2014	Completed
Category of Error: Lack of invoice back up documentation			
1. Lack of invoice back-up documentation, such as itemized detail and/or receipts for reimbursable expenses (line item detail)	1. Incorporate guidance regarding proper documentation and retention requirements into COR guidance and training	March 2014	Completed
	2. Implement electronic (Excel) tracking of detainees within each detention facility	March 2014	Completed
Category of Error: Contract (line items) not funded prior to payment (performance)			
1. Improper processing of contracts and obligations; not in compliance with the Federal Acquisition Regulation	1. Implement existing "Subject to Availability of Funds" guidance regarding notification to vendor for funds availability, receipt of invoice, and payment of interest	December 2013	Ongoing – New Target Date – September 2015
	2. Develop and implement a funds control tracking sheet containing the following information: 1) the amount of money expended on each contract; 2) the amount of money remaining on each contract and; 3) the amount of money carried forward from a previous modification to pay for a current invoice	March 2014	Completed
Category of Error: Updates Needed to Marshal Service Agreements (MSA) used for ICE Detainees			
1. Payment may be made for ineligible items	1. MSAs modified to include ICE in scope and updated agreement stored in system of record.	September 2014	Completed

Corrective Action Plans for FY 2014 ICE High-Risk Program(s)

Table 7: Planned Enforcement and Removal Operations Program Corrective Actions

Risk Factors	Corrective Actions	Target Completion Date
<p style="text-align: center;">Receipts and Acceptance</p> <p>Category of Error: Lack of contractual documentation to support disbursement Category of Error: Lack of invoice back up documentation (i.e. itemized detail and/or receipts for reimbursable expenses) Category of Error: Difference in price charged on the invoice and the price identified in the contract Category of Error: Duplicate Items billed and paid</p>		
<p>1. Payments may not be made in accordance with the official contract.</p> <p>2. Payment may be made for incorrect amounts, items/services that are out of scope, duplicate items billed and services outside the period of performance</p> <p>3. Lack of invoice back-up documentation, such as itemized detail and/or receipts for reimbursable expenses (line item detail)</p> <p>4. Receiving & acceptance not performed by authorized COR/Program POC, or COR/Program POC not designated in the contract</p>	1. Update/clarify COR responsibilities for proper invoice review and validation, including determination of the final invoice.	March 2015
	2. Update COR Checklist, as necessary, to ensure proper support documentation exists, prices correlate with the contract, correct contract line item numbers (CLINs) is identified for disbursement, indication and approval of final invoice.	June 2015
	3. Update COR guidance as necessary with revised COR responsibilities regarding proper invoice documentation and retention requirements.	June 2015
	4. Conduct mandatory training for all CORs on proper reviews and validation of invoices and reimbursable expenses	July 2015
	5. Validate and update WebView validation table with the CORs/POCs/COs listed on the respective contracts or modification to ensure authorized invoice approvals.	June 2015
	6. Distribute periodic communications (Q2, Q3, Q4 of FY15) to reinforce proper procedures and develop procedures for monitoring performance of receipt and acceptance by the appropriate official	March 2015 June 2015 September 2015
<p style="text-align: center;">Invoice Payment Review</p> <p>Category of Error: Lack of contractual documentation to support disbursement Category of Error: Period of Performance (POP): 1) Invoice POP outside of contractual POP Category of Error: POP: 2) POP mismatch within the invoice (i.e. header vs. backup, etc.) Category of Error: Payment not made to the vendor identified in the contract</p>		
<p>1. Payment may be made for services outside the period of performance</p> <p>2. Payment may be made inaccurately due incorrect or missing information, including; contract number, vendor name, vendor address, remittance info, invoice number, invoice date, TIN, DUNS, etc.</p>	1. Determine/clarify payment tech and certifying officer responsibilities for invoice validation prior to disbursement and guidance on proper documentation requirements	March 2015
	2. Develop invoice review checklist and reference guide. Establish criteria or decision tree to guide the payment office on what inconsistencies between the invoice and contract will require a modification of the contract or rejection of the invoice (e.g. changes to entity information will require a modification)	March 2015
	3. Update guidance for A/P techs to ensure it includes clear instructions on their responsibility for review to ensure proper validation is performed by the payment office prior to disbursement.	June 2015
	4. Conduct additional/refresher training for A/P techs on payment office invoice review.	June 2015
<p>Category of Error: Invoice line item not found as valid CLIN within the contract</p>		
<p>1. Improper processing of contracts and obligations; not in compliance with the Federal Acquisition Regulation</p>	1. Create/update guidelines for ensuring all contract costs align to the requisition as separate CLINs	December 2015
	2. Develop training with instructions for the updated process for CORs, programs, and COs.	June 2015
<p>Category of Error: Earned discount not taken or not taken accurately Category of Error: Interest not paid or not paid accurately</p>		
N/A	N/A - findings were insignificant	N/A

Status of Prior Year Corrective Action Plans for FEMA High-Risk Program(s)**Table 8: Disaster Relief Fund Vendor Payments Program Corrective Actions**

Risk Factors	Corrective Actions	Target Completion Date	Current Status
Category of Error: Insufficient Policies to Prevent Improper Payments			
1. FEMA COR manual needs to be updated for revised DHS COR policy	Update FEMA COR manual to be consistent with DHS COR policy regarding the following: 1. Clarify who has the authority to approve cost reimbursable and T&M payments (DHS COR manual section 7.14); 2. Clarify impact of DCAA-DHS MOU requiring 1 st invoices be routed through DCAA on cost reimbursable contracts.	March 2014	Ongoing – New Target Date – November 2014
2. Vendor payments standard operating procedures need to be strengthened	1. Add a chapter on invoice reviews required in each step of the invoice payment cycle.	March 2014	Completed – January 2014
3. Training needed on invoicing roles and responsibilities throughout the contract life-cycle	1. Institute mandatory and refresher training for contracting officers, contracting officer's technical representatives, and accounting technicians.	March 2014	Completed – March 2014
Category of Error: Non Contract Payments			
1. Standard operating procedures needed	1. Develop a process and standard operating procedures for authorizing and paying non-contract payments such as lease payments and bills of lading.	March 2014	This was deleted in Oct 2012. BOL's no longer included in testing due to new system
Category of Error: Acceptance and Receiving			
1. Reports and contract file maintenance needs improvement	1. Develop a standard inspection, acceptance, and receiving report for contracting officer's technical representatives and complete training on its proper completion and use.	January 2014	Ongoing – New Target Date – November 2014
	2. Implement an electronic contract file maintenance system.	September 2014	Ongoing – New Target Date May 2015

*Note: DRF-Vendor payments corrective action plan will not change because this year's testing yielded the same or similar issues as last year.

Table 9: Public Assistance Program Corrective Actions

Risk Factors	Corrective Actions	Target Completion Date	Current Status
Category of Error: Unmet Work Completion Deadline			
1. Failure to Complete Work During Period of Performance	1. Increase grantee documentation review guidance and create and conduct Public Assistance payment processing training.	June 2014	Completed - August 2014
Category of Error: Scope Discrepancy between Project Worksheet Scope of Work (SOW) and Supporting Documentation			
1. Discrepancies Found between PW SOW and Supporting Documentation	1. Require FEMA project specialists and Public Assistance coordinators to take training courses on proper PW data entry and development, project writing skills, and audit review requirements.	June 2014	Completed - August 2014
	2. Develop reference guides and/or checklists for costs documentation reviews to improve consistency of scope reviews.	June 2014	Completed - August 2014
	3. Offer grantee invoice and force account documentation review guidance or training to ensure the scope of supporting documentation falls within the scope of the project worksheet/sub-grantee application.	June 2014	Completed - August 2014

Table 10: Homeland Security Grant Program Corrective Actions

Risk Factors	Corrective Actions	Target Completion Date	Current Status
Category of Error: Insufficient Supporting Documentation			
1. Missing Invoices and Missing Proof of Payment	1. Enhance HSGP guidance related to grant financial management guidelines, standardized minimum reporting requirements, and financial recordkeeping to reduce gaps in the grantee and sub-grantee invoice and/or other expenditure documentation.	March 2014	Completed - March 2014
	2. Require grantees and sub-grantees to comply with document retention requirements past the required three-year grant period.	March 2014	Completed - March 2014
	3. Conduct training for HSGP program and financial officers to include compliance with standardized financial management practices, responding to documentation requests, and document retention	March 2014	Completed - March 2014
Category of Error: Time Frames Not Met			
1. Application Deadlines not met	1. Enhance HSGP guidance related to grant financial management guidelines, standardized minimum reporting requirements.	March 2014	Completed - March 2014
	2. Reinforce program specialist training on grant approval process.	March 2014	Completed - March 2014
	3. Require program specialist to approve a Grant Adjustment Notice with first level supervisor approval for grant applications submitted after deadline.	March 2014	Delayed – New Target Date - March 2015
Category of Error: Unallowable Costs			
1. Grantees used current fiscal year grant funds to pay prior grant award expenditures	1. Provide grantees with additional training on Allowable and unallowable costs.	March 2014	Completed - March 2014
	2. Develop Allowable Costs Quick Reference Guide and distribute to grantees on an annual basis.	March 2014	Ongoing – New Target Date - March 2015
	3. Enhance grants financial monitoring efforts by incorporating intermittent sample testing of expenditures during the grants life cycle.	September 2014	Ongoing – New Target Date - September 2015

Corrective Action Plans for FY 2014 FEMA High-Risk Program(s)

Table 11: Planned Disaster Relief Fund Vendor Payments Program Corrective Actions

Risk Factors	Corrective Actions	Target Completion Date	Current Status
Category of Error: Insufficient Policies to Prevent Improper Payments			
1. FEMA COR manual needs to be updated for revised DHS COR policy	1. Update FEMA COR manual to be consistent with DHS COR policy regarding the following:	March 2014	Ongoing – New Target Date - March 2015
	2. Clarify who has the authority to approve cost reimbursable and T&M payments (DHS COR manual section 7.14);		
	3. Clarify impact of DCAA-DHS MOU requiring 1 st invoices be routed through DCAA on cost reimbursable contracts.		
Category of Error: Acceptance and Receiving			
1. Reports and contract file maintenance needs improvement	1. Develop a standard inspection, acceptance, and receiving report for contracting officer’s technical representatives and complete training on its proper completion and use.	January 2014	Ongoing – New Target Date – November 2014
	2. Implement an electronic contract file maintenance system.	September 2014	Ongoing – New Target Date – May 2015

*Note: DRF-Vendor payments corrective action plan will not change because this year's testing yielded the same or similar issues as last year.

Table 12: Planned Individual and Households Payments Program Corrective Actions

Risk Factors	Corrective Actions	Target Completion Date	Current Status
Category of Error: Calculation Errors			
1. Improve NEMIS or info view platform to ensure accurate processing of awards generated by multiple inspections.	1. A new Web-enabled platform will provide line item comparison capabilities for Real and Personal Property disbursements.	September 2016	Ongoing
2. Develop a calculation comparison tool for caseworkers to improve payment award accuracy.	2. A new Web-enabled platform will provide calculators, worksheets, and logic to support added controls for caseworker's disbursements.	FY 2016	Ongoing
Category of Error: Insufficient Documentation			
1. Implement sound business management practices by 1) limiting policy and procedural changes mid-stream 2) disallowing retroactive calculation adjustments	1. Implement changes/updates from "this date forward"	September 2016	Ongoing
Category of Error: Incomplete Verification			
1. Modify inspector guidance to clarify and enhance primary residency determinations.	1. Clarification, which has already been implemented, of the inspection guidelines resulting from phase one of Hurricane Sandy IPIA enhanced and clarified guidance for the inspector. These changes also support added assurance the applicant understood the intent of the question. The changes were made on 6/26/2013 from: "Ask the applicant if they had any disaster related damage at their primary residence; if 'Yes,' correct the address and perform the inspection on the applicant's primary residence. Select 'Not Primary Residence' if the applicant states that the damaged dwelling is not their primary residence but does have disaster related unmet needs (medical, dental, funeral, transportation)."	September 2014	Completed
Category of Error: Calculation Errors and Incomplete Verification			
1. Improve caseworker guidance on second review risk issues.	1. When policy, procedural or guidance changes result, require a second review for CTHA payment disbursements for a designated time	September 2016	Ongoing
2. Assign CTHA processing to a designated group of individuals	2. Identify core servicing group and augmentation support team for increased workloads to ensure knowledge base is current.	March 2015	Ongoing

Table 13: Planned Homeland Security Grant Program Corrective Actions

Risk Factors	Corrective Actions	Target Completion Date	Current Status
Category of Error: Insufficient Supporting Documentation			
1. Missing Invoices and Missing Proof of Payment	1. Enhance HSGP guidance related to grant financial management guidelines, standardized minimum reporting requirements, and financial recordkeeping to reduce gaps in the grantee and sub-grantee invoice and/or other expenditure documentation.	March 2015	Ongoing
	2. Require grantees and sub-grantees to comply with document retention requirements past the required three-year grant period.	March 2015	Ongoing
	3. Conduct training for HSGP program and financial officers to include compliance with standardized financial management practices, responding to documentation requests, and document retention	March 2015	Ongoing
Category of Error: Time Frames Not Met			
1. Application Deadlines not met	1. Enhance HSGP guidance related to grant financial management guidelines, standardized minimum reporting requirements.	March 2015	Ongoing
	2. Reinforce program specialist training on grant approval process.	March 2015	Ongoing
	3. Require program specialist to approve a Grant Adjustment Notice with first level supervisor approval for grant applications submitted after deadline.	March 2015	Ongoing
Category of Error: Unallowable Costs			
1. Grantees used current fiscal year grant funds to pay prior grant award expenditures	1. Provide grantees with additional training on allowable and unallowable costs.	March 2015	Ongoing
	2. Develop Allowable Costs Quick Reference Guide and distribute to grantees on an annual basis.	March 2014	Ongoing – New Target Date - March 2015
	3. Enhance grants financial monitoring efforts by incorporating intermittent sample testing of expenditures during the grants life cycle.	September 2014	Ongoing – New Target Date September 2015

Table 14: Planned Transportation Security Grant Program Corrective Actions

Risk Factors	Corrective Actions	Target Completion Date	Current Status
Category of Error: Insufficient Supporting Documentation			
1. Missing Invoices and Missing Proof of Payment	1. Enhance TSGP guidance related to grant financial management guidelines, standardized minimum reporting requirements, and financial recordkeeping to reduce gaps in the Grantee and Sub-Grantee invoice and/or other expenditure documentation.	March 2014	Ongoing – New Target Date March 2015
	2. Require grantees and sub-grantees to comply with document retention requirements past the required three-year grant period.	March 2014	Ongoing – New Target Date March 2015
	3. Conduct training for TSGP program and financial officers to include compliance with standardized financial management practices, responding to documentation requests, and document retention	March 2014	Ongoing – New Target Date March 2015

Table 15: Planned Public Assistance Program Corrective Actions

Risk Factors	Corrective Actions	Target Completion Date	Current Status
Category of Error: Unmet Work Completion Deadline			
1. Failure to Complete Work During Period of Performance	1. Increase grantee documentation review guidance and create and conduct public assistance payment processing training.	June 2014	Ongoing – New Target Date March 2015
Category of Error: Scope Discrepancy between Project Worksheet Scope of Work (SOW) and Supporting Documentation			
1. Discrepancies Found between PW SOW and Supporting Documentation	1. Require FEMA project specialists and public assistance coordinators to take training courses on proper project worksheet data entry and development, project writing skills, and audit review requirements.	June 2014	Ongoing – New Target Date March 2015
	2. Develop reference guides and/or checklists for costs documentation reviews to improve consistency of scope reviews.	June 2014	Ongoing – New Target Date March 2015
	3. Offer grantee invoice and force account documentation review guidance or training to ensure the scope of supporting documentation falls within the scope of the project worksheet/sub-grantee application.	June 2014	Ongoing – New Target Date March 2015

Table 16: Planned Government Charge Card Corrective Actions

Risk Factors	Corrective Actions	Target Completion Date	Current Status
Category of Error: Insufficient communication			
1. Policies and procedures are not updated and communicated in an effective manner. Preventative controls to minimize risk exposure can be better utilized.	1. Issue purchase card alerts	August 2014	Ongoing – New Target Date – March 2015
	2. Conduct town hall meetings	August 2014	Ongoing – New Target Date – March 2015
	3. Issue purchase card newsletters	August 2014	Ongoing – New Target Date – March 2015
Category of Error: Inactive accounts remain open			
1. FEMA may still have open Purchase Cards linked to former employees. Purchase card limits may be too high and not accurately reflect the	1. Analyze spending limits to determine if the limits can be reduced	September 2014	Completed
	2. Issue letters to AOs explaining the decision to reduce the spending limits	September 2014	Completed
	3. Follow up on inactive alerts from the bank to	September 2014	Ongoing – New

Risk Factors	Corrective Actions	Target Completion Date	Current Status
necessary purchasing power of the employee. Inactive accounts and accounts with too-high limits expose FEMA to increased levels of risk.	obtain a determination from the AO if the card is needed		Target Date – March 2015
Category of Error: High risk merchant codes are not fully reviewed			
1. Purchase card transactions in certain high risk merchant category codes (MCC) expose FEMA to an increased level of risk.	1. Review bank reports routinely to ensure that blocked high risk MCC's are not circumvented	September 2014	Ongoing – New Target Date – March 2015

Corrective Action Plans for FY 2014 USCG High-Risk Program

Table 17: Planned USCG Sandy Corrective Actions

Risk Factors	Corrective Actions	Target Completion Date	Current Status
Contract, Purchase Order, Miscellaneous & Purchase Card payment types			
Category of Error: Lack of segregation of duties during the committing process			
1. Payments may be made when proper funding is not available.	1. Review current guidance on committing procedures and regulations	June 2015	Ongoing
2. A request for government funding may over expend the appropriated amount.	2. Communicate proper procurement procedures for commitments to reinforce understanding	June 2015	Ongoing
Contract payment types			
Category of Error: Services Paid for are outside of the approved Period of Performance			
1. Payments may be made for items/services that are out of scope, duplicate items, and services outside of the period of performance.	1. Review current guidance for CORs on receiving & acceptance	June 2015	Ongoing
	2. Conduct training for all CORs on proper R&A	June 2015	Ongoing
	3. Distribute periodic communications to reinforce proper procedures.	June 2015	Ongoing
	4. Issue a modification to extend the contract completion date.	November 2014	Ongoing
Travel Payment Types			
Category of Error: Lack of proper approval for Travel Orders & Travel Vouchers			
Category of Error: Lack of an approved AO designation form for Travel Orders or Travel Vouchers			
Category of Error: Lack of Travel Order, Travel Voucher, or receipts for testing			
1. Travel documents may not be proper, because the authorization is not being performed by an authorized approving official or authorizing official. 2. Expenses are incurred without proper travel approvals. 3. Government funds may be paid to the traveler erroneously or for the wrong amount.	1. Review current guidance on travel procedures and regulations	June 2015	Ongoing
	2. Reinforce the importance of following policy to prohibit the reimbursement of travel expense without the proper documentation	June 2015	Ongoing
	3. Travelers and units controlling the authorization of travel will be reminded to maintain all documentation for a period of six years and three months.	December 2014	Ongoing
	4. All travel claim authorizing officials (AO) must have a proper User Access Authorization and approving official (AO) Designation form on file with the Pay and Personnel Center Travel Branch.	December 2014	Ongoing
Purchase Card payment types			
Category of Error: AO invoice review, invoice approval, and receipting is not performed consistently and accurately			
Category of Error: Lack of proper documentation			
Category of Error: Improperly reviewed invoices are paid; three way match is inconsistent			
1. Payment may be made for incorrect amounts, items/services may be out of scope, duplicate items may be billed, and services may be outside the period of performance 2. Cardholders may make	1. Review current guidance for AOs and Cardholders on the invoice review, invoice approval, and receipting process	June 2015	Ongoing
	2. Update guidance for AOs and Cardholders on invoice reviews and approvals to ensure all proper elements are captured and to ensure invoice review, invoice approval, and receipting is performed by the appropriate	June 2015	Ongoing

Risk Factors	Corrective Actions	Target Completion Date	Current Status
3. fraudulent or unauthorized purchases Payment may be made for the incorrect invoice amount.	official(s) along with their signature		
	3. Conduct mandatory training for all AOs and Cardholders on proper invoice review, invoice approval, and receipting process	June 2015	Ongoing
	4. Reinforce guidance regarding proper documentation and retention requirements into the Purchase Card guidance and training	June 2015	Ongoing

IV. Program Improper Payment Reporting

The table below summarizes improper payment amounts for DHS high-risk programs. Improper payment percent (IP%) and improper payment dollar (IPS) results are provided from last year’s testing of FY 2012 payments and this year’s testing of FY 2013 payments. Data for projected future-year improvements is based on the timing and significance of completing corrective actions.

Table 18: Improper Payment Reduction Outlook

(\$ in millions)

Program	PY Outlays	PY IP%	PY IP\$	CY Outlays	CY IP%	CY IP\$	CY Over payment \$	CY Under payment \$	CY +1 Outlays	CY +1 Est. IP%	CY +1 Est. IP\$	CY +2 Est. Outlays	CY +2 Est. IP%	CY +2 Est. IP\$	CY +3 Est. Outlays	CY +3 Est. IP%	CY +3 Est. IP\$
	2013 Testing (Based on FY 2012 Actual Data)			2014 Testing (Based on FY 2013 Actual Data)				2015 Testing (Based on FY 2014 Actual and Estimated Data)			2016 Testing (Based on 2015 Estimated Data)			2017 Testing (Based on 2016 Estimated Data)			
R&D (CBP)	\$1,937	0.36%	\$7	\$1,473	0.01%	\$0	\$0	\$0	\$1,338	0.01%	\$0	\$1,338	0.01%	\$0	\$1,338	0.01%	\$0
Sandy (CBP) ¹	\$0	0.00%	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	0.00%	\$0	\$0	0.00%	\$0
AUO (CBP) ²	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
BSF (CBP) ³	\$173	<.01%	\$0	waived	0.00%	\$0	\$0	\$0	\$157	0.00%	\$0	\$213	0.00%	\$0	\$213	0.00%	\$0
AFG (FEMA)	\$425	1.07%	\$5	\$336	0.10%	\$0	\$0	\$0	\$343	0.10%	\$0	\$350	0.10%	\$0	\$357	0.10%	\$0
NFIP (FEMA)	\$2,127	0.02%	\$0	\$8,720	0.05%	\$5	\$0	\$5	\$8,894	0.05%	\$4	\$9,072	0.05%	\$5	\$9,254	0.05%	\$5
PSGP (FEMA) ²	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EFSP (FEMA)	\$89	0.34%	\$0	\$119	1.47%	\$2	\$2	\$0	\$121	1.47%	\$2	\$124	1.47%	\$2	\$126	1.47%	\$2
Sandy Travel (FEMA) ¹	\$0	0.00%	\$0	\$179	0.15%	\$0	\$0	\$0	\$183	0.15%	\$0	\$186	0.15%	\$0	\$190	0.15%	\$0
Sandy Purchase Card & Fleet Card (FEMA) ¹	\$0	0.00%	\$0	\$3	8.04%	\$0	\$0	\$0	\$3	8.04%	\$0	\$3	8.04%	\$0	\$3	8.04%	\$0
Sandy Payroll (FEMA) ¹	\$0	0.00%	\$0	\$249	0.61%	\$2	\$2	\$0	\$254	0.61%	\$2	\$241	0.61%	\$1	\$229	0.61%	\$1
DRF Hazardous Mitigation Grant - Sandy (FEMA)	\$0	0.00%	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	0.00%	\$0	\$0	0.00%	\$0
IHP - Sandy (FEMA) ¹	\$0	0.00%	\$0	\$1,559	3.68%	\$57	\$48	\$9	\$1,590	2.50%	\$40	\$1,622	2.00%	\$32	\$1,654	1.50%	\$25
HSGP (FEMA) ⁴	\$1,699	1.31%	\$22	\$2,001	1.37%	\$27	\$27	\$0	\$2,042	1.00%	\$20	\$2,082	1.00%	\$21	\$2,124	1.00%	\$21
TSGP (FEMA) ⁴	\$328	2.06%	\$7	\$447	2.55%	\$11	\$11	\$0	\$456	1.50%	\$7	\$465	1.00%	\$5	\$474	1.00%	\$5
Urban Search & Rescue Grant - Sandy (FEMA)	\$0	0.00%	\$0	\$9	0.00%	\$0	\$0	\$0	\$9	0.00%	\$0	\$9	0.00%	\$0	\$10	0.00%	\$0
Disaster Case Management - Sandy (FEMA)	\$0	0.00%	\$0	\$4	0.00%	\$0	\$0	\$0	\$4	0.00%	\$0	\$4	0.00%	\$0	\$5	0.00%	\$0
VP (FEMA DRF)	\$750	3.11%	\$23	\$503	6.56%	\$33	\$32	\$1	\$518	3.50%	\$18	\$533	2.50%	\$13	\$549	1.50%	\$8
VP (FEMA Non-DRF) ²	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PA (FEMA) ⁴	\$3,670	1.11%	\$41	\$4,915	1.31%	\$64	\$62	\$2	\$5,013	1.03%	\$52	\$5,114	1.03%	\$53	\$5,216	1.03%	\$54
ERO (ICE)	\$1,692	4.33%	\$73	\$1,578	4.18%	\$66	\$66	\$0	\$1,492	4.10%	\$61	\$1,520	3.94%	\$60	\$1,505	2.37%	\$36
Sandy (NPPD) ¹	\$0	0.00%	\$0	\$8	0.33%	\$0	\$0	\$0	\$1	0.33%	\$0	\$0	0.00%	\$0	\$0	0.00%	\$0
FPS (NPPD) ³	\$878	0.03%	\$0	waived	0.00%	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	0.00%	\$0	\$0	0.00%	\$0
Sandy (USCG) ¹	\$0	0.00%	\$0	\$19	4.10%	\$1	\$1	\$0	\$39	8.00%	\$3	\$37	6.50%	\$2	\$37	5.00%	\$2
Sandy (OIG) ¹	\$0	0.00%	\$0	\$1	0.00%	\$0	\$0	\$0	\$2	0.00%	\$0	\$0	0.00%	\$0	\$0	0.00%	\$0
All Programs	\$13,768	1.29%	\$178	\$22,123	1.21%	\$268	\$251	\$17	\$22,459	0.93%	\$209	\$22,913	0.85%	\$194	\$23,284	0.68%	\$159

Note 1: All FY 2013 Hurricane Sandy Disbursements were tested in FY 2014.

Note 2: Program identified in FY2014 Risk Assessment as a program susceptible to High-Risk, will be reporting in FY2015 per the OMB Circular guidance A-123 Appendix C.

Note 3: After receiving approval from the Office of Inspector General and The Office of Management and Budget, CBP's Border Security Fencing (BSF) and NPPD's Federal Protection Services (FPS) were granted relief from testing in FY 2014. Risk assessing these programs will resume in FY 2015 in accordance with Improper Payments and Elimination Recovery Improvement Act (IPERIA) of 2012.

Note 4: FEMA has three State-Administered Programs--HSGP, PA, and TSGP---that are tested on a three-year cycle. To calculate the national error rate for FY 2013 actual data, error rate from the States tested for FY 2011, FY 2012, and FY 2013 were applied to the FY 2013 State payment populations to derive a national average.

Overpayments and Underpayments Details

The table that follows provides overpayment and underpayment breakouts for the Department’s high-risk programs. The table shows that over 99 percent of the Department’s estimated improper payments are due to overpayments.

Table 19: Overpayment and Underpayment Detail on DHS Sample Test Results

(\$ in millions)

Component	Program	FY 2014 Gross Total (Based on FY 2013 Actual Data)		FY 2014 Overpayment Total (Based on FY 2013 Actual Data)		FY 2014 Underpayment Total (Based on FY 2013 Actual Data)	
		Est. Error Amount	Est. Error Percentage	Est. Error Amount	Est. Error Percentage	Est. Error Amount	Est. Error Percentage
CBP	Refund & Drawback	\$0	0.01%	\$0	0.01%	\$0	< 0.01%
	Administratively Uncontrollable Overtime ¹	N/A	N/A	N/A	N/A	N/A	N/A
	Hurricane Sandy	\$0	0.00%	\$0	0.00%	\$0	0.00%
FEMA	Emergency Food and Shelter National Board Program	\$2	1.47%	\$2	1.47%	\$0	0.00%
	Port Security Grant Program ¹	N/A	N/A	N/A	N/A	N/A	N/A
	Assistance to Firefighters Grant Program	\$0	0.10%	\$0	0.10%	\$0	0.00%
	Individuals and Households Program - Sandy	\$57	3.68%	\$48	3.11%	\$9	0.57%
	National Flood Insurance Program	\$5	0.05%	\$0	0.00%	\$5	0.05%
	Travel for Hurricane Sandy- Disaster Relief Fund	\$0	0.15%	\$0	0.14%	\$0	0.01%
	Government Charge Card – Purchase Card and Fleet Card	\$0	8.04%	\$0	8.04%	\$0	0.00%
	Public Assistance Program ²	\$64	1.31%	\$62	1.26%	\$2	0.05%
	Homeland Security Grant Program ²	\$27	1.37%	\$27	1.37%	\$0	0.00%
	Vendor Pay – Disaster Relief Fund	\$33	6.56%	\$32	6.41%	\$1	0.14%
	Vendor Pay – Non Disaster Relief Fund ³	N/A	N/A	N/A	N/A	N/A	N/A
	Urban Search & Rescue - Sandy	\$0	0.00%	\$0	0.00%	\$0	0.00%
	Disaster Case Management - Sandy	\$0	0.00%	\$0	0.00%	\$0	0.00%
	Hazard Mitigation Grant Disaster Relief Fund- Sandy	\$0	0.00%	\$0	0.00%	\$0	0.00%
	Transportation Security Grant Program ²	\$11	2.55%	\$11	2.55%	\$0	0.00%
	Hurricane Sandy Payroll	\$2	0.61%	\$2	0.61%	\$0	0.00%
ICE	Enforcement and Removal Operations	\$66	4.18%	\$66	4.17%	\$0	0.02%
NPPD	Hurricane Sandy	\$0	0.33%	\$0	0.33%	\$0	< 0.01%
USCG	Hurricane Sandy	\$1	4.10%	\$1	4.10%	\$0	< 0.01%
OIG	Hurricane Sandy	\$0	0.00%	\$0	0.00%	\$0	0.00%
DHS	All Programs	\$268		\$251		\$17	

Note 1: Program identified in FY 2014 risk assessment as a program susceptible to High-Risk, will be reporting in FY 2015 per the OMB guidance A-123 Appendix C.

Note 2: Figures for FEMA’s State-Administered Programs (Homeland Security Grant Program, Public Assistance Program, and Transportation Security Grant Program) are based on the national error estimates listed in Table 5.

V. Recapture of Improper Payments

DHS completed recovery audit activities for FY 2013 disbursements and continued collection activities for errors identified in prior-year recovery audits. Work was completed at CBP and ICE (and its cross-serviced Components). There were no recoveries from FY 2013 disbursements at

USCG (and its cross-serviced Components) during FY 2014, although FY 2013 recovery audit work continued into FY 2015. FLETC and USSS performed a cost analysis in FY 2012 and determined that a general recovery audit would not be cost effective. Given the subsequent lack of claims identified by much larger DHS Components who performed recovery audit work and the absence of major changes to payment operations and risks at FLETC and the U.S. Secret Service, the Department did not require that recovery audit work be performed at these two Components in FY 2014 as well. Historically recovery audit efforts at FEMA have focused primarily on contracts, as grant system limitations make it cost prohibitive to generate the files needed to perform recovery audit work. Currently recovery audit work over contracts has not proven to be cost-effective; therefore, the Department did not require audit work for FY 2014.

The USCG followed up on its telecommunications payments targeted recovery audit performed in FY 2011. The telecommunications claims previously identified for FY 2011 have been deemed uncollectable based on the unsubstantiated claim submitted by CCE Discovery Group, Inc., which was verified by Coast Guard telecom experts. The USCG is working closely with the current recovery auditors and its legal office to ensure all improper payments are properly identified and have adequate support. After receiving requests for support from telecom vendors concerning the FY 2011 claims, and upon further examination of the support, the USCG refunded \$817,000 as it was determined that the recovery auditor's claims lacked sufficient documentation. These telecom claims continue to be in dispute.

In FY 2013, USCG placed a contract with a new recovery audit vendor to perform a general vendor accounts payable audit and a targeted analysis of FY 2012 telecommunication invoices. Recovery audit functions were shifted to USCG's Office of Internal Controls to ensure continuous monitoring and reporting. In addition, a two pronged approach has been adopted in USCG's analysis of telecom invoices: 1) all telecommunication invoices are closely examined by the USCG Finance Center to ensure all potential improper payments are valid and supportable, and 2) an in depth analysis is then performed by Telecommunication and Information Systems Command. Because of the outcome of previous claims made by recovery auditors, USCG's contract and work plans are going through a detailed review by the USCG Legal Office.

A number of internal controls were implemented in FY 2013 to include appropriate review and approval for telecommunications contracts. Only designated agency representatives (DARs) are authorized to enter into telecom contracts for USCG. The number of DARs was reduced from 25 to 18; thereby significantly improving oversight, accountability, and continuous monitoring of telecom contracts within USCG.

In the following table, current year (CY) equals FY 2013 disbursements for all Components. Prior year (PY) represents FY 2005 – FY 2012 for DNDO, TSA, and U.S. Coast Guard; FY 2004 – FY 2012 for CBP, ICE, MGMT, NPPD, OHA, S&T, and USCIS; and FY 2009 – FY 2012 for FEMA.

Table 20: Payment Recapture Audit Reporting

(\$ in thousands unless otherwise noted)

Comp.	Type of Payment (contract, grant, benefit, loan, or other)	Amount Subject to Review for CY Reporting (\$ millions)	Actual Amount Reviewed and Reported (CY) (\$ millions)	Amount Identified for Recovery (CY)	Amount Recovered (CY)	% of Amount Recovered out of Amount Identified (CY)	Amount Outstanding (CY)	% of Amount Outstanding out of Amount Identified (CY)	Amount Determined Not to be Collectable (CY)	% of Amount Determined Not to be Collectable out of Amount Identified (CY)	Amounts Identified for Recovery (PYs)	Amounts Recovered (PYs)	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)	Cumulative Amounts Outstanding (CY + PYs)	Cumulative Amounts Determined Not to be Collectable (CY + PYs)
CBP	Contract	\$1,909	\$1,909	\$3	\$3	100%	\$0	0%	\$0	0%	\$359	\$359	\$362	\$362	\$0	\$0
DNDO ¹	Contract	\$108	\$0	\$0	\$0	0%	\$0	0%	\$0	0%	\$1	\$1	\$1	\$1	\$0	\$0
FEMA	Contract	\$0	\$0	\$0	\$0	0%	\$0	0%	\$0	0%	\$181	\$0	\$181	\$0	\$0	\$181
ICE	Contract	\$2,046	\$2,046	\$0	\$0	0%	\$0	0%	\$0	0%	\$1,812	\$1,624	\$1,812	\$1,624	\$8	\$189
MGMT ²	Contract	\$697	\$697	\$0	\$0	0%	\$0	0%	\$0	0%	\$210	\$199	\$210	\$199	\$0	\$11
NPPD ²	Contract	\$1,346	\$1,346	\$0	\$0	0%	\$0	0%	\$0	0.9%	\$308	\$308	\$308	\$308	\$0	\$0
OHA ²	Contract	\$51	\$51	\$0	\$0	0%	\$0	0%	\$0	0%	\$0	\$0	\$0	\$0	\$0	\$0
S&T ²	Contract	\$361	\$361	\$0	\$0	0%	\$0	0%	\$0	0%	\$54	\$54	\$54	\$54	\$0	\$0
TSA ¹	Contract	\$2,235	\$0	\$0	\$0	0%	\$0	0%	\$0	0%	\$791	\$722	\$791	\$722	\$69	\$0
USCG	Contract	\$2,997	\$0	\$0	\$0	0%	\$0	0%	\$0	0%	\$4,252	\$1,578	\$4,252	\$761	\$0	\$3,491
USCIS ¹	Contract	\$864	\$864	\$0	\$0	0%	\$0	0%	\$0	0%	\$912	\$892	\$912	\$892	\$0	\$20
DHS Totals³		\$12,614	\$7,274	\$3	\$3	100%	\$0	0%	\$0	0%	\$8,880	\$5,737	\$8,883	\$4,923	\$69	\$3,892

Note 1. DNDO and TSA are cross-serviced by the USCG.

Note 2. MGMT, NPPD, OHA, S&T, and USCIS are cross-serviced by ICE.

Note 3. The DHS Totals do not list FLETC and the USSS as these Components completed cost analysis which determined that recovery audit work would not be cost effective.

Table 21: Payment Recapture Audit Targets

(\$ in thousands)

Component	Type of Payment (contract, grant, benefit, loan, or other)	CY Amount Identified	CY Amount Recovered	CY Recovery Rate (Amount Recovered / Amount Identified)	CY +1 Recovery Rate Target	CY +2 Recovery Rate Target	CY +3 Recovery Rate Target
USCG	Contracts	\$0	\$0	0%	0%	0%	0%
CBP	Contract	\$3	\$3	100%	100%	100%	100%
DHS Totals		\$3	\$3	100%			

Note: The USCG re-established telecommunications claims are not included in the above table as they relate to claims first reported in FY 2011.

Table 22: Aging of Outstanding Overpayments

(\$ in thousands)

Component	Type of Payment (contract, grant, benefit, loan, or other)	CY Amount Outstanding (0 - 6 months)	CY Amount Outstanding (6 months to 1 year)	CY Amount Outstanding (over 1 year)
USCG	Contracts	\$124	\$106	\$67
USCIS	Other	\$0	\$0	\$0
CBP	Contract	\$1,738	\$0	\$0
DHS Totals		\$1,862	\$106	\$67

Note: The outstanding re-established telecommunications claims relate to PY and are not included in the above table.

Table 23: Disposition of Recaptured Funds

(\$ in thousands)

Component	Type of Payment (contract, grant, benefit, loan, or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
CBP	Contract	\$0	\$1	\$0	\$2	\$0	\$0
DHS Totals		\$0	\$1	\$0	\$2	\$0	\$0

Note: Disposition of recaptured funds relates to FY 2013 disbursements and associated auditor fees paid in FY 2014.

The table that follows shows the importance of the Secretary’s quarterly high-dollar overpayments reporting. These reports began with January-March 2010 reporting.

Table 24: Overpayment Recaptured Outside of Payment Recapture Audits

(\$ in thousands)

Source of Recovery	Amount Identified (CY)	Amount Recovered (CY)	Amount Identified (PYs)	Amount Recovered (PYs)	Cumulative Amount Identified (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
High-Dollar Overpayments Reporting (FY10-FY14)	\$5,600	\$5,474	\$26,618	\$26,443	\$32,217	\$31,917
IPIA High-Risk Program Testing	\$3	\$0	\$4	\$0	\$7	\$0
Post Payment Reviews	\$153	\$118	\$3,264	\$3,264	\$3,417	\$3,383
DHS Totals	\$5,756	\$5,592	\$29,886	\$29,707	\$35,641	\$35,300

VI. Facilitating Management Accountability

The goals and requirements of IPERIA were communicated to all levels of staff throughout the Office of the Chief Financial Officer (CFO) and to relevant program office and procurement staff. The Department’s CFO and senior staff have incorporated improper payment reduction targets in their annual performance plans.

Managers are responsible for completing internal control work on payment processing as part of the Department’s OMB Circular A-123 effort. Management’s improper payments efforts at all federal agencies are subject to an annual compliance review by the agency’s Office of Inspector General.

VII. Agency Information Systems and Other Infrastructure

The Department’s agency information systems efforts are discussed under the section related to the *Federal Financial Management Improvement Act*.

The Department’s internal control and human capital efforts to reduce improper payments are discussed under the Risk Assessment section.

VIII. Statutory or Regulatory Barriers

None.

IX. Do Not Pay

OMB Memorandum M-12-11, *Reducing Improper Payments through the “Do Not Pay List,”* directed executive agencies to take immediate steps to use the centralized solutions that were already in place for prepayment eligibility review. The memorandum required the Chief Financial Officer (CFO) of each agency, or the accountable official for improper payments, and program integrity under Executive Order 13520, to submit to OMB a plan for using the centralized solutions.

The U.S. Department of Treasury's Do Not Pay Working System is the legislatively mandated and Office of Management and Budget (OMB) designated source of centralized data and analytic services to help agencies verify eligibility and to identify and prevent fraud, waste, and abuse associated with improper payments. The Treasury Department performs post-payment matches on DHS disbursements using the General Service Administration's System for Awards Management (SAM) and Social Security Administration's Death Master File (DMF) to identify improper payments.

With the implementation of Treasury's third phase of the DNP initiative in FY 2015 the Department will have more visibility into the frequency of corrections that occur at the Component level through online, batch matching, and continuous monitoring activities. DHS and its finance centers' program managers will work with Treasury to leverage the portal's capabilities including analyzing current end-to-end payment processes and controls, and engaging with Treasury to ensure that we are using additional DNP databases relevant to our payment activities.

Table 25: Implementation of the Do Not Pay Initiative to Prevent Improper Payments

	Number of payments reviewed for improper payments	Dollars of payments reviewed for improper payments	Number of payments stopped ²	Dollars of payments stopped ²	Number of improper payments reviewed and not stopped	Dollars of improper payments reviewed and not stopped
Reviews with DMF Public¹	2,248,389	\$17,027,229,853	N/A	N/A	39	\$97,672
Reviews with SAM Exclusions Public¹	2,407,954	\$18,472,854,294	N/A	N/A	0	\$0

Note 1: Data currently based on October 1, 2013 through June 30, 2014. Currently, Treasury's Do Not Pay Reports are generated 3 months post-payment, latest information available from Treasury presented above.

Note 2: Payments stopped is currently not applicable since the Do Not Pay matching and adjudication process is based on post payment results.

X. Overall Agency Efforts

Work to prevent, monitor, and recoup improper payments continues to expand at the Department. For example, use of DNP databases expanded as the Department reconciled DMF and Excluded Parties List System data received, monthly, from Treasury. Also, a Payment Management Working Group was established, in part, to allow internal control, procurement, and payment management experts to jointly address improper payment issues. Management also worked closely with representatives from the Office of the Inspector General and OMB to determine which programs implemented sufficient internal control improvements to no longer be designated high-risk. These efforts should help the Department continue to consistently drive down improper payment error rates, especially in the highest-risk programs.

Freeze the Footprint

On May 11, 2012, the Office of Management and Budget (OMB) issued Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*. Section 3, Real Property, noted that agencies must move aggressively to dispose of excess property and shall not increase the size of civilian real estate property, without offset, through consolidation, co-location, or disposal of space. Additional guidance was provided in OMB’s Management Procedures Memorandum No. 2013-02, *Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint*, dated March 14, 2013. The memorandum directed agencies to “not increase the size of domestic real estate inventory, measured in square footage, for space predominately used for offices and warehouses.” This “Freeze the Footprint” (FtF) mandate established the FY 2012 office and warehouse real property inventory as the baseline.

DHS, in collaboration with the U. S. General Services Administration (GSA), agreed upon an FY 2012 office and warehouse FtF baseline of 48.4 million square feet. GSA leased offices and warehouses comprise 73.9 percent of the DHS baseline inventory, with DHS owned offices and warehouses accounting for 21.1 percent and DHS direct leased offices and warehouses totaling 5.0 percent.

During FY 2013 and 2014, the Department focused attention on numerous real property initiatives, including development of a 5-year real property strategic plan, establishment of an agency-wide Warehouse Logistics Integration Team, development of DHS-wide office workplace standards, and partnering with GSA to develop a 10-year real property strategic plan for all DHS Headquarters operations within the National Capital Region.

Table 26: Freeze the Footprint Baseline Comparison

Fiscal Year	Square Footage	Increase / Decrease (in sq. ft.)	% Increase / Decrease
FY 2012 Baseline	48,392,553	N/A	
FY 2013 Actual	48,492,660	+100,107	+.21%
FY 2014 Planned	48,449,056	-43,604	-.09%
FY 2015 Planned	48,279,311	-169,745	-.35%
3 Year Total		113,242	.23% (Planned Compliance)

FY 2013 results reflected a 0.21 percent square footage increase over the FtF FY 2012 baseline. However, as a result of the previously noted initiatives, DHS now projects an overall reduction in its office and warehouse inventory by the end of FY 2015. Going forward, the Department has identified a net reduction of 213,349 SF in the FY 2014 and 2015 program years, representing a final baseline reduction of 0.23 percent. We are currently on track to be in full compliance with FtF by the end of FY 2015. DHS is committed to fulfilling the objectives of FtF and will continue to focus efforts to optimize the real property inventory, control costs, and implement affordable readiness while supporting our mission.

Table 27: Operations and Maintenance Costs – Owned and Direct Lease Buildings

(\$ in millions)

	FY 2012 Actual Costs	FY 2013 Actual Costs	Change in Actual Costs
Operations and Maintenance Costs	\$72.3	\$77.7	+\$5.4

Between FY 2012 and FY 2013, actual cost increased by \$5.4 million due to the change in square footage in FY 2013. However, total cost is expected to decrease as we work toward our target square footage reductions in FY 2015.

Other Key Regulatory Requirements

Prompt Payment Act

The Prompt Payment Act requires federal agencies to make timely payments (within 30 days of receipt of invoice) to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts only when they are economically justified. The Department's Components submit Prompt Payment data as part of data gathered for the OMB CFO Council's Metric Tracking System (MTS). Periodic reviews are conducted by the DHS Components to identify potential problems. Interest penalties as a percentage of the dollar amount of invoices subject to the Prompt Payment Act have been measured between 0.001 percent and 0.005 percent for the period of October 2013 through September 2014, with an annual average of 0.003 percent (Note: MTS statistics are reported with at least a six week lag).

Debt Collection Improvement Act

In compliance with the *Debt Collection Improvement Act of 1996* (DCIA), DHS manages its debt collection activities under the DHS DCIA regulation. The regulation is implemented under DHS's comprehensive debt collection policies that provide guidance to the Components on the administrative collection of debt; referring non-taxable debt; writing off non-taxable debt; reporting debts to consumer reporting agencies; assessing interest, penalties and administrative costs; and reporting receivables to the Department of the Treasury. The *Digital Accountability and Transparency Act of 2014* (Pub. L. 113-101) was passed in May 2014 and updated DCIA requirements for referring non-taxable debt.

FY 2013 Biennial User Charges Review

The Chief Financial Officers Act of 1990 requires each agency CFO to review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and items of value provided to specific recipients, beyond those received by the general public. The purpose of this review is to identify those agencies assessing user fees and to periodically adjust existing charges to 1) reflect unanticipated changes in costs or market values, and 2) to review all other agency programs to determine whether fees should be assessed for Government services or the use of Government goods or services.

To ensure compliance with this biennial requirement, each DHS Component is required to compile and furnish individual summaries for each type of user fee by addressing the key points for each user fee, in sufficient detail, to facilitate a review by the OCFO. For FY 2013, six DHS Components were responsible for collecting user fees covering various services provided to the traveling public and trade community. The following is an analysis of the fee collections and costs of the related services:

U.S. Customs and Border Protection (CBP)

CBP is responsible for collecting a variety of user fees related to customs duties, inspections, and immigration. These fees include:

- Agriculture Quarantine and Inspection;
- Consolidated Omnibus Budget Reconciliation Act of 1985;
- Immigration Enforcement Fines;
- Immigration Inspection;
- Land Border Inspection;
- Electronic System for Travel Authorization;
- Harbor Maintenance;
- Global Entry Application;
- Merchandise Processing;
- Puerto Rico Trust Fund;
- Small Airports;
- U.S. Virgin Islands; and
- Miscellaneous.

During FY 2013, CBP collected approximately \$5.4 billion in user fees.

Federal Emergency Management Agency (FEMA)

FEMA is responsible for collecting fees related to the Radiological Emergency Preparedness Program and the National Flood Insurance Fund. During FY 2013, FEMA collected approximately \$3.7 billion in user fees.

U.S. Immigration and Customs Enforcement (ICE)

ICE is responsible for collecting a variety of user fees related to immigration. These fees include:

- Breached Bond Detention Fund;
- Student & Exchange Visitors Program; and
- I-246 Stay of Deportation or Removal.

During FY 2013, ICE collected approximately \$190 million in user fees.

Transportation Security Administration (TSA)

TSA is responsible for collecting a variety of user fees related to the security of the nation's aviation system. These fees include:

- Air Cargo Screening;
- Ronald Reagan Washington National Airport: Enhanced Security Procedures for Certain Operations (GA@DCA);
- Other Security Threat Assessment;
- Transportation Worker Identification Credential;
- Alien Foreign Student Pilot;
- Aviation Security Infrastructure (Air Carrier);
- Passenger Civil Aviation Security Service (September 11th Security);
- Security Threat Assessments for Hazmat Drivers;
- TSA Pre✓™ Application Program; and
- Commercial Aviation and Airport.

During FY 2013, TSA collected approximately \$2.3 billion in user fees.

U.S. Coast Guard (USCG)

USCG is responsible for collecting a variety of user fees related to maritime safety and security. These fees include:

- Commercial Vessel Documentation;
- Recreational Vessel Documentation;
- Merchant Mariner Licensing & Documentation;
- Commercial Vessel Inspection; and
- Overseas Vessel Inspection.

During FY 2013, USCG collected approximately \$23.8 million in user fees.

U.S. Citizenship and Immigration Services (USCIS)

USCIS is responsible for collecting a variety of user fees related to the immigration and naturalization process. These fees include:

- Fraud Prevention and Detection;
- H-1B Non-Immigrant Petitioner;
- Immigration Examinations; and
- Immigration Fees, Border Security Act.

During FY 2013, USCIS collected approximately \$3.3 billion in user fees.

The OCFO conducted the above DHS user fee assessment based on Component's review, validation, and confirmation of actual cash collections and user fee structures, as identified in the Department of Homeland Security User Fees Report to Congress.

Office of Inspector General's Report on Major Management and Performance Challenges Facing the Department of Homeland Security

The *Reports Consolidation Act of 2000* (P.L. 106-531) requires that, annually, the U.S. Department of Homeland Security (DHS) Office of Inspector General (OIG) prepare a statement summarizing the most serious management and performance challenges facing the Department and an assessment of the Department's progress in addressing those challenges. For Fiscal Year 2014, OIG has identified the Department's major challenges in nine broad areas:

Summary of OIG's Assessment of DHS's Major Challenges	
DHS Operations Integration	DHS needs to continue to improve its cross-Component coordination and communication and reaffirm department-level authority.
Acquisition Management	DHS continues to experience challenges in planning, coordinating, overseeing, and ensuring compliance with Departmental guidance.
Financial Management	DHS has made progress in correcting some of the conditions that contributed to material weaknesses in internal controls, but the Department needs to continue its remediation efforts to eliminate the remaining weaknesses and obtain a clean opinion on internal control over financial reporting.
IT Management and Privacy Issues	DHS continues to encounter challenges in developing an integrated, cost-effective, and secure information technology infrastructure and protecting personally identifiable information.
Transportation Security	TSA operations need to evolve continuously to address new and changing threat environments and in using staff and technology resources efficiently and effectively.
Border Security and Immigration Enforcement	DHS needs to continue developing new and better methods to interdict illegal entry into the United States, ensure that it consistently applies immigration laws and policies, effectively addresses challenges such as the influx of unaccompanied children, and fully communicates decisions related to retention and release of detainees.
Grants Management	FEMA needs to do more to mitigate risks associated with its disaster assistance program. FEMA also needs to ensure that states improve grant administration.
Employee Accountability and Integrity	DHS and its Components face various allegations of wrongdoing. Drug trafficking organizations that seek to corrupt employees at the Nation's borders present a major challenge.
Infrastructure Protection, Cybersecurity and Insider Threat	NPPD faces challenges in capturing and maintaining critical infrastructure vulnerability assessment data. NPPD also needs to improve coordination of cyberthreat information among the five federal cyber-operations centers.

Additional background, OIG observations, and management progress and next steps for each challenge can be found in OIG's report "Major Management and Performance Challenges Facing DHS" located at [DHS-OIG reports](#).

Management's Response

Overcoming these challenges requires long-term strategies for ensuring stable operations as well as sustained management attention and resources. DHS carries out multiple complex and highly diverse missions. While the Department continually strives to improve the efficiency and effectiveness of its programs and operations, as progress is achieved and as new initiatives begin, new management and performance challenges can arise.

DHS appreciates OIG's perspective on the most serious challenges facing the Department as well as recognition of the significant progress and substantial accomplishments DHS has made to date. A more detailed management response to these challenges was previously provided to OIG and included in the final report which can be found at the web link referenced above.



Acronym List

Acronyms

AFG – Assistance to Firefighters Grants	CY – Current Year
AFR – Agency Financial Report	DADLP – Disaster Assistance Direct Loan Program
AGA – Association of Government Accountants	DAR – Designated Agency Representatives
AO – Analysis and Operations	DC – District of Columbia
APG – Agency Priority Goal	DHS – Department of Homeland Security
ASP – Advanced Spectroscopic Portal	DIEMS – Date of Initial Entry into Military Service
AUO – Administratively Uncontrollable Overtime	DMF – Death Master File
BFS – Bureau of Fiscal Service	DMO – Departmental Management and Operations
BP – British Petroleum	DNDO – Domestic Nuclear Detection Office
BSF – Border Security Fencing	DNP – Do Not Pay
CAP – Cross-Agency Priority	DOD – U.S. Department of Defense
CAPSIS – Consolidated Asset Portfolio and Sustainability Information System	DOL – U.S. Department of Labor
CBP – U.S. Customs and Border Protection	DRAA – Disaster Relief Appropriations Act
CDL – Community Disaster Loan	DRF – Disaster Relief Fund
CDP – Center for Domestic Preparedness	EDS – Explosive Detection System
CDM – Continuous Diagnostics and Mitigation	EFSP – Emergency Food and Shelter Program
CDS – Consequence Delivery System	ELIS – Electronic Immigration Application System
CEAR – Certificate of Excellence in Accountability Reporting	ERO – Enforcement and Removal Operations
CFATS – Chemical Facility Anti-terrorism Standards	FBwT – Fund Balance with Treasury
CFO – Chief Financial Officer	FCRA – Federal Credit Reform Act of 1990
CFR – Code of Federal Regulations	FECA – Federal Employees Compensation Act
CHCO – Chief Human Capital Officer	FEMA – Federal Emergency Management Agency
CIO – Chief Information Officer	FERS – Federal Employees Retirement System
CISO – Chief Information Security Officer	FFMIA – Federal Financial Management Improvement Act of 1996
COBRA – Consolidated Omnibus Budget Reconciliation Act of 1985	FISMA – Federal Information Security Management Act
COMSETT – Compliance Security Enhancement Through Testing	FLETC – Federal Law Enforcement Training Centers
COR – Contracting Officer Representative	FMFIA – Federal Managers' Financial Integrity Act
COTR – Contract Officer's Technical Representative	FOSC – Federal On-scene Coordinators
COTS – Commercial Off-the-Shelf	FPS – Federal Protective Service
CRSO – Chief Readiness Support Office	
CSRS – Civil Service Retirement System	

FSM – Financial Systems Modernization	MERHCF – Medicare-Eligible Retiree Health Care Fund
FY – Fiscal Year	MGMT – Management Directorate
GAAP – Generally Accepted Accounting Principles	MHS – Military Health System
GAO – U.S. Government Accountability Office	MRS – Military Retirement System
GCC - Government Charge Card	MSA – Marshal Service Agreements
GCCF – Gulf Coast Claims Facility	MTS – Metric Tracking System
GEOINT – Geospatial Intelligence	NCPS – National Cybersecurity Protection System
GNDA – Global Nuclear Detection Architecture	NCSC – National Customer Service Center
GSA – General Services Administration	NFIP – National Flood Insurance Program
HSAM – Homeland Security Acquisition Manual	NPFC – National Pollution Funds Center
HSGP – Homeland Security Grant Program	NPPD – National Protection and Programs Directorate
HSI – Homeland Security Investigations	NSC – National Security Cutter
HS-STEM – Homeland Security Science, Technology, Engineering and Mathematics	OCFO – Office of the Chief Financial Officer
I&A – Office of Intelligence and Analysis	OCHCO – Office of the Chief Human Capital Officer
ICE – U.S. Immigration and Customs Enforcement	OCIO – Office of the Chief Information Officer
ICS-CERT – Industrial Control Systems Cyber Emergency Response Team	OCPO – Office of the Chief Procurement Officer
IEFA – Immigration Examination Fee Account	OHA – Office of Health Affairs
IFT – Integrated Fixed Tower	OIG – Office of Inspector General
IHP – Individuals and Household Programs	OMB – Office of Management and Budget
IMAT – Incident Management Assistance Team	OM&S – Operating Materials and Supplies
INA – Immigration Nationality Act	OPA – Oil Pollution Act of 1990
IPERA – Improper Payments Elimination and Recovery Act of 2010	OPEB – Other Post Retirement Benefits
IPERIA – Improper Payments Elimination and Recovery Improvement Act of 2012	OPM – Office of Personnel Management
IPIA – Improper Payments Information Act of 2002	OPS – Office of Operations Coordination and Planning
IRO – Internal Recurring Obligations	ORB – Other Retirement Benefits
IT – Information Technology	OSLTF – Oil Spill Liability Trust Fund
LOI – Letters of Intent	OTA – Other Transaction Agreements
MDL – Management Decision Letter	OTIA – Office of Technology Innovation and Acquisition
	PA – Public Assistance
	PCS – Permanent Change of Station
	POP – Period of Performance
	PP&E – Property, Plant, and Equipment
	PSGP – Port Security Grant Program
	Pub. L. – Public Law

PY – Prior Year
QHSR – Quadrennial Homeland Security Review
R&D – Research and Development
ROPE – Radiological Operations Preparedness Exercise
R/N – Radiological and Nuclear
SAM – System for Awards Management
SAT – Senior Assessment Team
SBR – Statement of Budgetary Resources
SFFAS – Statement of Federal Financial Accounting Standards
SFRBTF – Sport Fish Restoration Boating Trust Fund
SMC – Senior Management Council
SOS – Schedule of Spending
S&T – Science and Technology Directorate
TAFS – Treasury Account Fund Symbol
TCM – Trade Compliance Measurement
THIRA – Threat and Hazard Identification and Risk Assessments
Treasury – U.S. Department of the Treasury
TSA – Transportation Security Administration
TSGP – Transit Security Grants Program
UAS – Unmanned Aerial Systems
UDO – Undelivered Orders
U.S. – United States
USC – United States Code
USCG – U.S. Coast Guard
USCIS – U. S. Citizenship and Immigration Services
USSS – U.S. Secret Service
VA – U.S. Department of Veterans Affairs
VP – Vendor Pay
WUI – Wildland-Urban Interface
WYO – Write Your Own

Acknowledgements

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- Within the Office of the Chief Financial Officer, the division of Financial Management is responsible for financial management policy, preparing annual financial statements and related notes and schedules, and coordinating the external audit of the Department's financial statements.
- The division of Risk Management and Assurance provides direction in the areas of internal control to support the Secretary's assurance statement, risk management, and improper payments.
- The division of Program Analysis and Evaluation conducts analysis for the Department on resource allocation issues and the measurement, reporting, and improvement of DHS performance, and coordinates the Performance Overview section of the AFR.
- The division of GAO-OIG Audit Liaison facilitates Department relationships with audit organizations and coordinates with OIG on the Management Challenges report.
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